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Daily Report
Latin America

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Cuba

Cuba: Panel on Plane Downing Given One Month To Report

PA1405163796 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 8 May 96

[From the "NTV" newscast]

[FBIS Translated Text] The panel investigating the shooting down of two planes in Cuban territorial waters on 24 February was given one more month to submit its final report.

The Council of the International Civil Aviation Organization received a provisional report, which surveys the information delivered by Cuban authorities and points out the ongoing contacts with the United States to complete the investigation.

Cuba: Kazakhstan Delegation Signs Accords, Concludes Visit

PA1505024196 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 13 May 96

[From the "NTV" newscast]

[FBIS Translated Text] The delegation from the Republic of Kazakhstan, which signed accords and a protocol with the Cuban side, concluded its official visit this week.

Kazakhstan's First Deputy Prime Minister Ravin Muratov described as perfect the possibilities to develop bilateral ties and stressed that his visit to Cuba establishes a favorable precedent toward that end. Kazakhstan can supply Cuba with Kamaz trucks and spare parts for Kamaz trucks and planes, in exchange for Cuban agrarian products. Muratov pointed out that by means of the accord signed last year by the Russian Federation and Cuba, his republic hopes to attain the necessary credit to cooperate in the barter of oil for sugar, keeping in mind that Kazahkstan produces 25 millions tons of fuel yearly.

Regarding the elections in Russia, Muratov reiterated the support of the Kazakhstani leadership to President Boris Yeltsin, but stressed that his reelection depends greatly on reaching peace in neighboring Chechnya.

Cuba: TRABAJADORES: 'Political Forces' in Cuba

PA1405190596 Havana PRENSA LATINA in Spanish 1541 GMT 13 May 96

[FBIS Translated Text] Havana, 13 May (PL) — The correlation of political forces within Cuban society today is overwhelmingly favorable to the revolution, said the weekly TRABAJADORES; while recalling that there were times when the "middle rank of the undecided" was extensive and increasing.

The weekly refers in today's editorial to the recently concluded 17th Congress of the Cuban Workers Federation [CTC] as an event that "practically established the end of a stage and the beginning of another."

A year after May 1, 1995, when this event was summoned, the situation in Cuba has changed at many levels "but, above all, it evolved in terms of political consciousness," the CTC's official organ said.

It added that during the most critical stage of the special period (economic crisis), the number of undecided people, "lacking political course of action and overwhelmed by the brutal blow Cuba suffered by the fall of socialism in Europe, was large and increasing."

But this number has diminished, said TRABAJADORES, because two basic principles have consolidated in the Cuban mentality in the last few years: In the island there is no alternative other than socialism, which could not be sustained if we do not raise efficiency in all areas, especially in the economy.

TRABAJADORES reported an increase in the unyielding ranks of the most conscientious revolutionaries, those who share basic ideas about national independence, anti-imperialism, social justice, and equity in wealth distribution.

The weekly called for an end to improvisation, routine, and formalism: "As leaders of all levels we should get more training... in economic matters and the technology of the processes in which the workers we represent are involved."

TRABAJADORES pointed out that Cuba will now start a phase in which resistance will be more active and overall, "because our people's political, economic, and ideological line is much more defined than in previous years."

"That same people have again gathered all their revolutionary strength, which is more important and decisive than any other factor intervening in the Cuban reality," TRABAJADORES pointed out.

Cuba: Tourism Minister on Construction Sector Results

PA1405163896 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 8 May 96

[Report by Bernardo Espinoza in Ciego de Avila, from the "NTV" newscast]

[FBIS Translated Text] Tourism Minister Osmani Cienfuegos has stated that so far in 1996, tourism project construction workers in Cuba have surpassed the results achieved during a similar period in 1995.

[Begin Cienfuegos recording] We believe that there has been a very satisfactory response from construction workers. There is still much to be accomplished, however, after past problems, we think that the efforts by construction workers are commendable. They have done what the country needed.

The number of projects carried out during the first three months of 1996 was more than double the number of projects carried out in that same period in 1995. The most admirable and satisfactory project is this beautiful villa that we are opening now. Not really opening, I might add, because the inauguration will take place when Fidel comes here. [end recording]

The completion of Villa Vigia's first stage in Cayo Guillermo, north of Ciego de Avila, allowed the opening of 144 of the 264 rooms that will be available at this resort. Other projects were also completed, and there was praise for the workers of the Union of Caribbean Construction Enterprises tasked with building the resort.

Minister Cienfuegos pointed out that this type of investment guarantees the growth of the country's tourism sector and gave an estimate of the number of tourists that will come to Cuba in 1996.

[Begin Cienfuegos recording] In the beginning, we believed that about 900,000 tourists would come, but now we believe that almost 1 million tourists are going to come. [end recording]

Cuba: Lage on Creation of Sugar Mill Control Commission

PA1405231496 Havana Radio Rebelde Network in Spanish 1700 GMT 10 May 96

[From the "National Radio News"]

[FBIS Translated Text] Carlos Lage, secretary of the council of ministers' executive committee, spoke during the final meeting to discuss the government's audit of the Civil Aeronautics Institute. Lage stated that economic efficiency is the country's only short-term possibility to continue to consolidate and advance its economic recovery. He emphasized that Cuba must promptly seek that efficiency, which is not always possible, and will have to resort to foreign investment in the future, as has happened in recent times, to ensure the recovery of a particular sector or activity.

In addition, Lage pointed out that Cuba must totally solve its problems of lack of financial discipline, which appear in payable and receivable accounts in every audit. He noted the millions of dollars lost due to lack of professionalism in contracts, frozen assets, surplus inventories, and other deficiencies and negligent actions.

Lage announced that the Government's Sugar Mill Control Commission will be created to continue with the governments's measures to improve order, discipline, and work quality. The commission will review the results of audits, and the attorney general's reports.

Cuba: Program Discusses Improvements in Housing

PA1505031596 Havana Radio Rebelde Network in Spanish 1155 GMT 8 May 96

[From the "Doing Radio" newscast]

[FBIS Translated Text] [Reporter Alvaro De Alvarez] In recent months, the people who have walked the streets of this city have noticed the positive changes in its image, particularly in several population centers in the country's capital. These changes are the result of a program, an effort undertaken by the city and the country's government to improve housing units, as well as the image of our streets and our capital. Havana Province Housing Director Pedro Cruz Vento is here with us to talk about this topic.

Vento, why don't you outline this program, which is being implemented in several areas of the capital?

[Vento] As you all know, Group No. 5 of the Governmental Commission of Support for Havana City, given the housing situation in the city and within the framework of the special period, decided to outline a work program, which has been under way since 1995 and is being continued in 1996. This program is based on two main elements:

1. Building housing units and

2. Giving maintenance and waterproofing housing units.

This plan for 1996 is a dynamic one. Concerning the conservation and restoration of housing units this year, we have a major plan to repair 800 quarters and 680 buildings, a task that includes conservation, maintenance, and repairs. We have also planned to waterproof 560 buildings this year. In addition, there are some [word indistinct] funds, which although there are not that many yet will be allocated for this program to conserve and restore housing units in Havana City.

[De Alvarez] How many places or population centers in the country's capital are currently included in this program?

[Vento] In the capital, we have predicted that if we carry out all the housing repair work stipulated in the 1996 plan, approximately 146,000 families should receive the benefits. These actions are distributed within various work programs in Havana City. [Words indistinct] and we work all over Havana City, and there are special programs such as the one in Cayo Hueso, a very widely known program, the programs to restore the sea wall, old Havana, and other activities, including (Monti Street) and some specific points of the city such as EL Cerro.

[De Alvarez] I have noticed that most of the work done in these places is on the facades. Are these efforts mainly geared toward fixing facades or are repairs made inside the housing units too?

[Vento] When we speak about Cayo Hueso, for instance, we are not really working on facades. There, when the organizations are assigned a task to repair a facade, this also includes roof repairs, waterproofing and major maintenance works. The citizens are responsible for fixing the inside of the housing units. The citizens also help to work on facades, but particularly, families work on repairing the interior of housing units if the necessary resources are at hand.

[De Alvarez] Concerning those resources, is there a way to ensure that these resources are invested as originally assigned?

[Vento] In Cayo Hueso, the program is divided by blocks and organizations. Each organization drafts a list of the number of people and housing units and the materials needed to improve their housing situation. [Words indistinct] and in turn, this organization sells each family whatever it is supposed to receive and it oversees the work. Thus, the organization keeps tabs on the work done by each family.

[De Alvarez] We will come back to this topic later. Now we will go to Cienfuegos, where repair work is also being carried out. There, Mireya Ojeda, our reporter in that province, will discuss some of these experiences. Good morning, Mireya.

[Ojeda] Good morning, Alvaro. [Words indistinct] also visits the pearl of the south. Here we will report on the construction and repair of housing, which is progressing quickly. Here in Cienfuegos, the view has changed making everyone feel happy. It is possible that never before has a similar job been done, in spite of the fact it does not meet every need.

I want to speak about the experiences [words indistinct] in the micro brigades consisting of families that are helping resolve their problems. With me is Antonio Calderin Quinonez, municipal housing director.

[Calderin Quinonez] The concept of the micro brigade includes the participation of neighbors in helping resolve their own problems, with the technical support of the Municipal Housing Directorate.

At this time, this experience is taking place fundamentally at run-down housing units, which are being eliminated. We have 10 brigades working in this municipality.

[Ojeda] [words indistinct] run-down housing units?

[Calderin Quinonez] These brigades are refurbishing run-down housing units. The idea is to build new homes where run-down homes are now. These housing units are later transferred to their residents.

[Ojeda] [question indistinct]?

[Calderin Quinonez] We are working at this time in San Lazaro neighborhood, in La Juanita neighborhood, in the downtown area, where most run-down quarters and problems are located.

[Ojeda] How many run-down units do you expect to eliminate this year?

[Calderin Quinonez] We had initially planned to eradicate eight [number as heard] run-down quarters. However, due to a decision from the provincial party and the municipal government, we now plan to eliminate 50 run-down homes. We are now working to technically prepare the first 25 run-down homes, to begin in the month of June [words indistinct] program.

[Ojeda] How is the program to repair housing units progressing here in Cienfuegos?

[Calderin Quinonez] We have called it the Block Repair Program [Programa de atencion a la cuadra]. Initially, we planned to restore and paint approximately 8,884 homes. Thanks to cooperation from 68 municipal agencies, we have so far been able to restore and paint 12,442 homes in the municipality, which represents 33 percent of the Municipal Housing Fund.

[Ojeda] Garrido, we also want to talk very briefly with Engineer Reinaldo Gonzalez, chief of the Maintenance Department of [words indistinct] Cienfuegos, because we have approximately 1,100 apartment buildings in Pastorita, (Pueblo Bijo), Buena Vista, Junco Sur, and in the Ciudad Nuclear neighborhoods, many of which have leaks.

[Gonzalez] Well, the roof repair program for this year has been designed to repair 28 apartment buildings using the technique of the Varadero asphalt. At the close of the first quarter, we have completed repairs on seven buildings. We continue to work with two brigades from the Municipal Housing Maintenance Company and one brigade of the Ministry of Construction.

For the next quarter, we expect to use a new technique to repair leaks, which has been used with very good results in the provinces of Santiago de Cuba, Camaguey, and Pinar del Rio. This technique is called [words indistinct], prepared from residue of asbestos, cement, and asphalt.

[Ojeda] How is Cienfuegos preparing to apply this technique?

[Gonzalez] At this time, the factory that is being built in Cienfuegos for the preparation of this material is practically finished. This is a technique those affected can use. It would imply, in the future, increasing the number of waterproof buildings to resolve a difficult problem for society.

[Ojeda] Well, Garrido, I propose that we continue to discuss this issue on another occasion. Now we go to San Lazaro neighborhood, where a new experience on house repair is taking place. This has been Mireya Ojeda for the "Doing Radio" newscast.

Cuba: Roundup of Economic Developments Through 14 May

PA1505011596

[FBIS Report] The following is a compilation of reports on economic developments in Cuba monitored through 14 May.

Fernando Sanchez reports from Ciego de Avila that 2 million quintals of tubers and vegetables have been produced in four months, which is half of the entire year's plan. He adds that the food industry in Ciego de Avila has increased its production value by 23 percent. In another report, this time from Granma Province, rice harvests have netted more than 69,000 quintals in the 60 caballerias harvested. A yield of 1,141 quintals per caballeria is below forecast, but there is an upward trend. About 40 caballerias lag in the planting operations. (Havana Radio Rebelde Network in Spanish 1155 GMT 3 May 96)

A report from Las Tunas says that six Granma Province municipalities are the beneficiaries of a special food program sponsored by the UN World Food Program based on the experience obtained in areas of cattle ranching development in Camaguey and Las Tunas. UN World Food Program Representative (Giussepe Lugatti) said in Las Tunas that investments will surpass $17 million and will benefit 17,500 peasants families for a three-year period. It includes reforestation, environment, vegetable production, and infrastructure. Cuba will, in turn, earmark more than 27 million pesos to help carry out the program. (Havana Radio Havana Cuba in Spanish 0000 GMT 4 May 96)

Santiago de Cuba Province has come closest to breaking the honey production record of 894 tons. World honey prices are approximately $1,800 a ton. Agriculture Minister Alfredo Jordan Morales has promised an awards ceremony if the honey production record is broken. In the station's commentary section, Roberto Morejon says that the Cuban Government has managed to curtail excessive currency circulation by 2.8 billion pesos. But the government still has to collect more excess currency before it can address the salary increase issue. The Cuban treasury is collecting less and less because Cubans are much more wary of spending their reduced real income, which does not go as far today as it did during the late 1980's. Morejon says that Cubans do not want to return to the days when the Cuban peso was traded on the black market at 150 to the dollar. Nowadays the Cuban peso, which is officially worth the same as the U.S. dollar, is traded at approximately 22 pesos to the dollar. (Havana Radio Havana Cuba in Spanish 0000 GMT 8 May 96)

From Ciego de Avila, Fernando Sanchez reports that the Gran Caribe hotel chain is ready to serve about half the 1 million foreign tourists expected to arrive in Cuba this year. The hotel chain will increase their 1,800-room capacity and others are currently being refurbished. Some of the hotels being refurbished are the Havana Libre, Riviera, and Triton — all in the city of Havana — and are part of the 40-some businesses operated by the Gran Caribe chain in Cuba, which include, for example, the Tropicana cabaret and La Bodeguita del Medio. Gran Caribe representative Alejandro Escobar said in Ciego de Avila that expected gross revenues for 1996 will be $140 million. (Havana Radio Rebelde Network in Spanish 1155 GMT 9 May 96)

Sancti Spiritus farmers produced during first quarter of 1996 more than 1 million quintals of tubers, vegetables, and fruits, which is a record. Volumes are 50-percent higher than during the previous harvest. Potatoes, tomatoes, and yucca reached the highest levels. In another report, citrus production in the Isle of Youth also showed surprising results. Varieties of red peppers that were previously not grown there, are surpassing production levels of others that have been grown there for the past 15 years. Manual and mechanized cleaning, fertilizing, and fumigation work has been helped by about 1,000 EJT (Youth Labor Army) soldiers and the creation of agricultural communities. The Isle of Youth hit rock bottom during the previous harvest with only 48,000 tons, especially fresh fruit for export. The deficit was partially filled with concentrated juices and essential oils. And a third report says that Rancho Boyeros fresh water fish producers caught 156 tons of fish during the first quarter. This represents 118 percent of the program, one of the country's highest. Chinese techniques are being used in five huge reservoirs including the Aviles and El Salto distributed over 66.4 hectares and several smaller ones. (Havana Radio Rebelde Network in Spanish 1700 GMT 11 May 96)

Agriculture Minister Alfredo Jordan was able to verify that coffee plantations are beginning to recover in Maisi Municipality. The inhabitants intend to surpass the 1.1 million cans achieved during the previous harvest, which Jordan believes to be one of the worst in the country's coffee history. Jordan says that cleaning the coffee plantations in a timely manner has been a key element to the recovery in Maisi. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

According to a Mexico City, 11 May-datelined item, which states that Nuevo Leon State businessmen are to invest about $500 million in Cuba over the next five years, despite the threats of reprisal of the U.S. Helms-Burton law. The news was released by Alejandro Ibarra, director of the Monterrey Technical Institute for Higher Studies. Ibarra, who is an economist, said that despite this legislation, Cuba continues to be one of the most attractive investment zones. (Havana PRENSA LATINA in Spanish 1427 GMT 11 May 96)

Haiti

Haiti: Intelligence Service Closed for Restructuring

PA1305221696 Port-au-Prince Signal FM Radio in Creole 1800 GMT 13 May 96

[From the "Haiti Today Newscast"]

[FBIS Translated Text] Dominating the news is the closure of the National Intelligence Service, SIN. Haitian President Rene Garcia Preval decided to close the service in accordance with measures he personally adopted.

The Haitian president was on site to personally close SIN. The head of state announced that he made this decision within the scope of a visit to the Ministry of the Interior, where he publicly announced his decision to close the service. Preval ordered that the SIN be allowed...[pauses] be instead closed for restructuring.

President Preval also made an unexpected visit to the immigration service, where he personally delivered a number of passports that were taking a long time to issue.

Haiti: Preval Details Reasons for Shutting Down SIN

PA1505044696 Port-au-Prince Signal FM Radio in Creole 1130 GMT 14 May 96

[From the "0730 Appointment Newscast"]

[FBIS Translated Excerpt] The National Intelligence Service [SIN] has been closed for restructuring. President Rene Preval made this decision in consulation with Interior Minister Jean Moliere and National Police Director Pierre Denize. President Preval told the press that as of 13 May, that is yesterday, no card bearing the logo and name of this institution is valid.

Preval denounced the illegal actions committed by members of the institution and said he wants to act in the interest of the Haitian people. President Preval also pointed out that an institution that has such great importance must work normally and must work in accordance with reason.

Apart from this statement, Preval talked about the continuing disarmament campaign and solicited the cooperation of the population to help him carry out this task. [passage omitted]

Without forgetting the killing of some policemen in the past few days, Preval said that he is determined to solve the insecurity problem with the support of the Haitian people.

President Preval also provisionally shut down the delegation of the Department of the West because of the fake cards circulating from that delegation. Consequently, Preval announced that these cards are no longer valid because the delegation has been closed provisionally. [passage omitted]

Haiti: Radio Announces Visits by U.S., Canadian Officials

PA1005153396 Port-au-Prince Signal FM Radio in French 1030 GMT 8 May 96

[From the "Waking Up Newscast"]

[FBIS Translated Text] The U.S. deputy secretaries of defense and the treasury and the Canadian minister of defense will come to Port-au-Prince this week to gather information and to talk to President Rene Preval. The first meeting was scheduled for yesterday afternoon with John White, the U.S deputy secretary of defense, who arrived a short time before in the capital. The questions of Mr. Preval.... [pauses] This meeting was scheduled between the deputy secretary of defense and President Rene Preval.

Questions on security will be tackled by White, especially with regards to the police and notably the coast guard, according to U.S. Ambassador William Lacy Swing, who announced the arrival in Port-au-Prince of these two U.S. officials.

The U.S. official will visit the Police Academy today and then a social club of the U.S. Support Group-Haiti, which is made up of 250 military, including engineering specialists.

Deputy Treasury Secretary Lawrence Summers will carry out today a 24-hour information visit, during which time he will meet with the Haitian president. His visit will take place at a moment when the new Haitian officials are negotiating with the international financial community, notably the IMF, for the setting up of a structural adjustment program, a formula of privatization through capitalization of state-owned enterprises.

Finally, Canadian Minister of Defense David Colenette will also carry out a 24-hour information visit on 9 and 10 May to the capital. Colenette will meet with President Rene Preval and the Canadian contingent of the United Nations in Haiti, which has a strength of 700 soldiers.

The UN forces in the country, 1,500 men, mostly Canadians, include also Pakistani and Bangladeshi contingents and are commanded by Canadian Brigadier General Pierre D'Aigle, an infantry officer from a French-speaking crack unit, the 22nd Royal Regiment.

Haiti: UNMIH Mission To Visit, Study Extension of Mandate

PA1305223296 Port-au-Prince Signal FM Radio in Creole 1130 GMT 13 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] The UN Mission in Haiti [UNMIH] is considering the possibility of extending its mandate.

This issue was discussed at the Security Council in New York. A mission of the council is due to come to Port-au-Prince to study the possibility of extending the mandate, according to what the UNMIH spokesman said to Signal FM today.

Haiti: Aristide Sees Privatization as 'Trap'

PA1005152896 Port-au-Prince Radio Nationale in Creole 1300 GMT 8 May 96

[From the "0900-1000 Newscast"]

[FBIS Translated Text] On 7 May, three months to the day since he left power, former Haitian President Jean-Bertrand Aristide made his first public statement. During an interview he gave to Radio Nationale, the former Haitian head of state termed the privatization of the state-owned enterprise a two-headed trap. Aristide, who is encouraging all sectors to participate in the economic debates going on in the country, says he will keep working beside the Haitian people so he can transform society. Gesner Lafleur has more.

[Lafleur] In an interview he gave to Radio Nationale three months to the day since he left power, former President Jean-Bertrand Aristide has expressed his intention to continue to work with the Haitian people so society can be transformed. During the interview, former President Aristide stated that since he left power, he has been working to organize Family Is Life [a charitable organization he founded before he became president] and to set up the Aristide Foundation for Democracy [FAD], which will serve to create a basis for dialogue among all organizations and all sectors that believe in dialogue for change in the country. The FAD does not threaten the existence of any other organization. It is there to [word indistinct] all other organizations that want democracy and that are fighting so the country can become more beautiful. These are the words of Jean-Bertrand Aristide.

With regard to security, Aristide believes all citizens must support the Haitian National Police to fight the forces of darkness that are sowing trouble in the country. According to the former president, there is a laboratory [as heard] that is maneuvering on the sly to prevent unity between the population and the police with the purpose of hindering the democratic process in the country.

[Begin Aristide recording] There are people who regret that the Haitian Army is not on the field like it was before. They are inciting anger to see if the people will rise up against the police. This is a trap. They are arousing anger, taking action, killing policemen to see if they can blame the people for that. This is a big trap, as well as a big crime. This is why I believe all Haitians who love their country [words indistinct] when we managed to get rid of this torturing and destructive Army, we must not fall into the trap of disagreement between the people and the police. If we allow this to happen [words indistinct]. Otherwise, we will not be able as citizens to support the police in solidarity and respect, so the same peace can be established everywhere. For this to happen, the people must be clear-sighted. They must use their heads to think. Heads are not only for hats or nice hairstyles. Heads are for thinking, to see the traps they are setting for us and to skillfully dodge these traps. I believe this is a very important point.

We cannot [words indistinct] this is the very reason why there are people who are pulling the strings, who are inciting anger, or who are setting traps for policemen so they can prevent unity. They do not want this unity, because if this unity materializes, they wonder where they are going to find the same Haitian Army to redo the same kinds of things: Breaking, destroying, killing, and embezzling. It is the end of a tradition [words indistinct] lead us to invisible hands that are setting traps so we can say that the future depends on us and that we will keep supporting one another to make it a better one. [end recording]

[Lafleur] The participation of the Haitian people is necessary to help democracy develop in Haiti. Everybody must contribute with mutual respect to the progress of the country, according to Jean-Bertrand Aristide, who adds that the people must give their opinions on the big economic decisions that are being made in the country. Aristide considers privatization a milti-headed trap and says that the privatization policy has never improved the living conditions of the poorest people in any of the countries where it has already been implemented.

[Aristide] [Begin recording] The Haitian people must participate in these big economic decisions. Good democracy requires decisions to be reached by consensus. If I want to make democracy without the people, I may be making democracy against the people. Hence, I am obliged to make democracy with the people. This requires dialogue, debates, participation, and unity in mutual respect. They have set a big trap. Privatization is a trap, a trap that has several heads. Look at what is going on here. While efforts to incite anger are being made so that those who are for privatization can fight against those who are against it, armed individuals are preparing to see how they can increase insecurity. As proof, look at what has been happening these last few days. You express your feelings, and meanwhile, insecurity increases. Those people are happy to see — when they are preparing crimes — that people who are against crimes are fighting one another about the question of economic decisions like, for example, privatization. This is an [illegible] trap. One has to be smart so as not to fall into this trap. When we look at many countries where privatization has been implemented, especially poor countries, we realize that it does not solve poverty. So, it is not in our interests to embark on it hastily, without dialogue, an exchange of opinions, and discussion. I believe that is part of learning to live in a democracy.

So, it is really encouraging when you see that there are people who are asking for dialogue, who are asking for debates in our country. If you think about it, you will see that it is Haitians who can save Haiti. The more Haitians and good friends, true friends of Haiti are involved, the more we realize that we can save Haiti together. However, if there is a high cost of living, if there is misery, just like we see now — and it has been like that for a long time — we note that there has never been a true debate, a true dialogue between two groups of people: The peasants who are working hard so other people can enjoy the fruits of their labor — food does not grow in offices, but in gardens — and those who have money. You wonder what real investments they have made in the country? Many foreigners used to have this criticism about Haiti: Haitians do not invest in Haiti as much as such and such people invest in their country. Well, yes, we must not fight, we must hold a dialogue with mutual respect. In the past, there was a government that embezzled, that was involved in corruption, destruction, that was not using tax money to repair roads but to engage in corrupt acts. Today it is possible to have a government and a people that are holding a dialogue, a sector made up of people who have a lot of money and a sector made up of people that have little money holding a dialogue. This good dialogue should not turn into an argument or a kind of sterile pretension of intelligence; it should keep us away from conflict while we take advantage of this historic moment to work very hard. To work hard means that we should plant so we can harvest, and we should have land. [end recording]

[Lafleur] In conclusion, the former head of state Jean-Bertrand Aristide called on all sectors in the country to mobilize so that Haiti can experience another page of economic history in the interest of all its citizens and so that Haiti can stop receiving orders from others.

Haiti: Aristide Admits Reservations About Privatization

PA1005144996 Port-au-Prince Radio Metropole in French 1045 GMT 9 May 96

[Report by Edner Jean; from the "Morning" newscast; passages within slantlines in Creole]

[FBIS Translated Excerpt] Former Haitian President Jean-Bertrand Aristide warned the current government against the privatization of state-owned enterprises. In an interview with Radio Nationale three months after he left power, Jean-Bertrand Aristide, who commented on his first three months of civilian life, urged current leaders not to submit to the dictates of international financial institutions.

In Jean-Bertrand Aristide's opinion, privatization is a trap for the Haitian people. Listen to Edner Jean's report on statements made to Radio Nationale by former Haitian President Jean-Bertrand Aristide. I am recalling for you that he spoke on Radio Nationale three months after he left power on 7 February.

[Begin recording] [Jean] First of all, it must be said that Jean-Bertrand Aristide did not clearly say that he is against privatization. Fully using his capacity to manipulate words, the former president systematically concealed his position by using unfinished sentences, which might have various interpretations, and by using words that could be used by both those who are for and those who are against privatization.

In his first public statements on the economic commitment of the ruling team, the former tenant of the National Palace presents himself as a special advisor and, as such, he believes he can indicate to the current head of state the correct procedure in his negotiations with international sponsors.

After having negotiated several agreements with these institutions, Jean-Bertrand Aristide says our geopolitical situation is not totally unfavorable to us. We must try to outsmart them, he suggested.

[Aristide] /The first principle is that you must know how to set about doing it. The game that is being played is not a game for children, but a game for adults. The second principle is that politics is a balancing of power. You must be able to measure your strengths and then assess the strengths of your adversary so that you give a fair deal. You must not give away too much for what you are getting. At the same time, you should not imagine that you can get more than what your position actually can bring to you.

/At this time, we are not in such a bad geopolitical position; we still have cards to play. The upcoming months will still be a time during which we will have to keep playing those cards. Those who want to understand will understand what I am saying.

/I have cards, I can play, and I will keep playing. So, you must know how to set about doing it.

/The history of the monkey has taught us a comparison. There was a monkey in a mango tree, and under its branches was a family that stood around talking. There were mangoes on the mango tree, but they could not climb it because they were afraid of the monkey. Who is courageous? Who can climb the tree? Who wants to go up? What can we do so the monkey will eat [as heard] the mango?

/The monkey then took a mango. He pulled off the peel, dropped it on the ground, and ate. After he finished sucking the stone, he dropped it on the ground. The family held many discussions under the mango tree.

/Has the monkey privatized the mango tree? Is it his? Or is it not his? Does he have this right?

/But one member of the family was very smart. He took the very same mango stone and hurled it at the monkey, just as it was about to pick a beautiful mango. Then, the monkey hurled the beautiful mango in its hands at the person who had thrown the mango stone. That family member was a smart guy, an intelligent man. Good Haitians would do the same, because they are intelligent./ [end recording]

[Jean] But the former president did not confine himself to this style of fable for which he is well-known. He went a bit further in his thoughts, thus betraying his reservations on the question of privatization.

The label of *trap*, which Jean-Bertrand Aristide gave to privatization, is a warning. So, one could be tempted to say that Jean-Bertrand Aristide has a liking for the "No to privatization" slogan. Yet here again, one must measure the care with which the former president chooses his words. [passage omitted]

In this interview with Radio Nationale, Jean-Bertrand Aristide talked for a long time about his future, his foundation, and his concerns. From his residence in Tabarre, he continues to care for street children. He also receives people and listens while he expects — maybe — another political appointment.

Haiti: High-Level World Bank Mission Arrives for Negotiations

PA1305230496 Port-au-Prince Signal FM Radio in Creole 1130 GMT 13 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] A high-level mission from the World Bank arrived in Haiti on 12 May. (Paul Izman), the director of the World Bank for Latin American and the Caribbean, and Division Chief Philippe Novel arrived in the capital on 12 May.

The delegation from the international financial institution will hold meetings with Haitian Government officials, including Prime Minister Rosny Smarth. Work sessions are also scheduled to be held with members of the Haitian commission on continuing negotiations with international sponsors.

The government started negotiations with the international financial sponsors to allow substantial amounts of money to be released for Haiti. The negotiations with the World Bank, the IMF, the IDB [Inter-American Development Bank], and the European Union will end on 15 May. [passage omitted]

Haiti: Radio Reports Death of Policeman, Civilian

PA1505021996 Port-au-Prince Signal FM Radio in Creole 1800 GMT 14 May 96

[Live report from Cite Soleil; from the "Haiti Today" newscast]

[FBIS Translated Text] Yes, at this time, we can say that the situation is very tense in Cite Soleil, where two people were just killed. A plainclothes policeman died after an unidentified armed individual shot him this afternoon at about 0100. The individual who shot the policeman was subsequently killed by the brother of the murdered policeman. The brother, who is also a policeman, fired the fatal shot at the civilian in the Boston area in Cite Soleil.

According to the information we have, they do not know at this time the location of the body of this policeman.

A contingent of national policemen is going back and forth, searching houses in the entire area. No matter who [words indistinct] must raise their hands once they are not journalists. For the moment, the situation is very, very tense in Cite Soleil. The policemen are looking for the body of this policeman [words indistinct].

Mexico: SRE Report on Military Cooperation With U.S.

PA1405215896 Mexico City XEW Television Network in Spanish 0300 GMT 14 May 96

[From the "24 Hours" newscast]

[FBIS Translated Text] The Standing Committee of the National Congress received a document from the Foreign Secretariat, reporting on defense cooperation between the Governments of Mexico and the United States, in the wake of the visit to Mexico by U.S. Secretary of Defense William Perry. The report noted there are four areas of cooperation between the armed forces of the two countries: 1. Educational exchange, 2. Support to fight drug trafficking, 3. Disaster relief, 4. Modernization of equipment to fight drugs. The report added that as a result of last April's accords, Mexican Armed Forces training officers attended training programs in the United States aimed at using modern techniques to fight drug trafficking. Regarding cases of disaster, it reported that last April a group of officials from the National Defense, Navy, and Foreign Secretariats flew to the United States to visit installations and learn methods and procedures that would allow them to cope better with cases of disaster and provide assistance to affected civilians. Now that the Standing Committee received the report and forwarded it to the Defense Committee to be studied, two areas stand out: Regarding the modernization of equipment to fight drugs, Mexico and the United States concluded the negotiations of a framework agreement drafted in a mutually acceptably language that avoids any kind of involvement by U.S. military personnel in operations against drug trafficking in Mexican territory. The other is that cooperation between Mexico and the United States in the aforementioned four areas is implemented with total respect for the sovereignty, laws, and jurisdictional territory of the two nations and in no way entails joint military exercises will be held. During an interview, PRI [Institutional Revolutionary Party] Senator Alvaro Vallarta, a Mexican Army general on leave and chairman of the Senate's Defense Committee, talked about military assistance to Mexico.

[Begin Vallarta recording] Against drug traffickers, helicopters. It is basically in this respect, since that is what we need the most because you know drug traffickers plant their crops in the mountains and jungles. We mainly need to find those plantations. [end recording]

Foreign Secretary Jose Angel Gurria signed the report.

Mexico: INM Supports Trafficking of Illegal Aliens

PA1405223496 Mexico City REFORMA in Spanish 13 May 96 p 1

[Report by Cesar Romero Jacobo — received via Internet]

[FBIS Translated Text] National Migration Institute [INM] officials are involved in the international networks, which traffic illegal aliens across Mexico in route from Central America to the United States.

Without acting completely underground, illegal alien smugglers, together with various Mexican authorities, have made trafficking human beings a major multinational industry, which in Mexico alone produces a profit of almost $2 billion a year.

In internal documents, the government secretariat acknowledges that officials of that institution have received thousands of dollar for trafficking illegal aliens.

A former government secretariat official with first-hand knowledge of the issue states that most of them act with absolute impunity, and a number of them hide behind the old bureaucratic apparatus.

"In the Tapachula delegation alone some officials made half a million dollars in a few months by selling 350 FM-3 forms allowing them to pass through to the northern border," the former official explained.

To follow-up on these accusations, a REFORMA reporter travelled without papers from El Salvador to the northern border with California to confirm that, while in Chiapas, state and federal judicial police beat and rob illegal aliens regularly and INM officials receive money for allowing them to pass.

For example, an airplane trip form Tapachulas to Mexico City will cost approximately $1,200 in kickbacks alone.

Questioned regarding this issue, INM officials said that "it is very difficult to prove cases involving corruption." However, they reported that in recent months they have discharged 10 percent of the INM's officials throughout the country.

The illegal aliens are victims to beatings, discrimination, and abuse from the beginning to the end of their journey, which can cost them up to $10,000 per person. The poorer illegal aliens travel hidden in railway boxcars risking police violence and gangs of thieves during their trip. Others, risk their lives in small boats that arrive at Oaxaca from Guatemala.

Crossing into the United States is another dramatic episode. Illegal border crossings continue by crawling under the fences, taking mountain paths to avoid the border patrol paths, which women and children hike every night.

During the approximately 5,000 km journey, the ill-treatment given to illegal aliens by the U.S. Border Patrol was also observed.

Mexico: Official Says Peso Fluctuation Not To Change

PA1405204296 Mexico City LA JORNADA in Spanish 9 May 96 p 45

[Report by Victor Cardoso]

[FBIS Translated Text] Alejandro Valenzuela, spokesman for the Alliance for Economic Recovery (APRE), has stressed that the government will do "whatever is necessary" for the peso to maintain its competitiveness in foreign markets. However, he added, the peso fluctuation will not change, because the idea is for supply and demand to establish its parity.

Presenting his weekly report on the economy, Valenzuela ruled out the possibility of a devaluation, because "we cannot speak of devaluations in a system in which the currency fluctuates. We can speak of depreciation but this depreciation depends on where the peso is situated at a given moment, it depends on its place in the market."

He maintained: "We have a system where there is free fluctuation and we will maintain this system to preserve the competitiveness of our exports."

He added that although there have been periods of extreme volatility in the currency exchange market, they have been minimal in 1996 and the Bank of Mexico has continued to accrue international reserves.

In general terms, Valenzuela believed that the national economy is going through an "encouraging" period, judging from the overall economic results of the first two months of 1996.

He commented that an IMF delegation will visit Mexico this month to corroborate the economic figures of the first quarter to suggest whatever corrections must be made. These visits, he noted are included in the $18-billion program for economic recovery and will permit the continued use of these funds.

He also announced that the federal government is analyzing new mechanisms to restructure the past-due portfolio, including suggestions from various sectors.

With regard to this, Guillermo Zamarripa, director for development and economic studies of the National Banking and Insurance Commission, has stated that "the portfolio is healthier nowadays." He recalled that 68.472 billion pesos just in mortgage UDI's [investments units], which represented 308,000 credits, had been restructured by 12 April.

Regarding the Savings Protection Banking Fund (Fobaproa), he said that seven banks have been intervened or placed under that mechanism.

At his weekly news conference, Valenzuela pointed out that between January and February, the aggregate value of the maquila [assembly plant] industry increased by 6.6 percent. Employment also showed an accrued annual increase of 13 percent with a total of 696,577 positions. Industrial activity increased by 4.4 percent, particularly in the mining-metallurgic industry, which reported an annual accrued increase of 6.2 percent in the first bimonthly period compared to the same period in 1995.

Mexico: Editorial Details Chilean Influence on Military

PA1405223396 Mexico City REFORMA in Spanish 13 May 96 p 1

[Editorial by Raymundo Riva Palacio: "The Chilean Connection" — received via Internet]

[FBIS Translated Excerpt] Much has been said about the relationship that has developed between National Defense Secretary Enrique Cervantes Aguirre and the Pentagon, as well as the red carpet treatment afforded to him recently by the U.S. military. This attitude has raised many eyebrows. In no way is it paranoia.

In these times of dark political horizons in Mexico, the Pentagon's seduction, which has become the U.S. foreign policy axis, shows the degree of interest and concern toward its neighbor to the south and the identification of its valid, accredited, and solid spokesman.

The United States, however, is arriving a little late in the hearts of Mexican officers, because the strategic contest is not being won by the United States, but instead, by the Chilean military, which has consolidated a very close relationship with their Mexican counterparts. The material link comprises training and the sale of high-tech equipment, and a great emotional linkage is derived from the anti-U.S. feeling of the Mexican and Chilean military.

The rapprochement between the two Latin American armies began about three years ago when the military attache to the Mexican Embassy in Chile proposed police training courses for Mexico City policemen; in other words, the militarization of the police. The Carlos Salinas de Gortari administration received the proposal well, and the Chilean military, which includes internationalism among its vocations, saw it even better: Reach Mexico, which played such an active role against General Cesar Augusto Pinochet's dictatorship, and penetrate the country's most delicate and cared-for nucleus. Poetic justice for the Chilean coupists is the most fitting phrase here.

Chile began with a pilot project for the first cadre, the Federal District's Historical Center, training Mexican policemen with the idea of making them incorruptible, training them well, and teaching them to treat citizens properly. The program sounded fine, but that is not all. The training was done by the Carabineros General Directorate, whose chief, General Cesar Mendoza, was one of those who headed the 1973 coup d'etat against President Salvador Allende.

The pilot project yielded 800 militarized Mexican policemen, who can be seen today walking in pairs on the streets of Mexico City without firearms — two of their characteristics — in novel green drab uniforms, which are the ones the Chilean Carabineros use, who also sold them the uniforms.

The cooperation did not stop there. The Chilean Army has already sold the Mexican Army two computerized war scenario games worth several million dollars and soon will deliver an additional one to the Defense Secretariat. The Chilean software [preceding word published in English] is what the Mexican Army has used in some of their operations in Chiapas. It is a program that creates a triangle focused on the conflict zone and which corners the enemy, which is what the Mexican troops have done with the EZLN [Zapatist National Liberation Army].

The programs are very sophisticated; therefore a small team of Chilean engineers and military officers are permanently employed and have no connection with the Chilean Embassy in Mexico. They are led by Retired Colonel Oscar Coddou, who is the liaison with the Superior War College, from its installations south of Mexico City.

Coddou is apparently the only visible head of one of Latin America's most sophisticated, bloody, and ill-fated military structures. Coddou, whose bosses in Chile extended his stay in Mexico, played a relevant role in the Chilean dictatorship, as a contracting agent and protector of people linked to fascist movements in the world, some of whom carried out executions of enemies of the Pinochet regime or worked as mercenaries.

For example, in 1981, when he headed the National Institute of Professional Training in Santiago, Chile, he contracted former Carabinero Sergeant Jose Cuevas Segura to work in the Office of Special Services, tasked with internal control and security. Cuevas Segura, years before, had been sent to Spain, where he established relations with Italian fascist groups. These groups had been contracted by the Spanish state during the decline of the Franco dictatorship, to murder ETA [Basque Fatherland and Liberty] leaders in southern France.

Coddou lived in Spain as a military attache and served as liaison with extreme right-wing groups in that country. In Mexico, he plays his role with enormous discretion, which is something they learned to do in times when control of secret operations was conducted by the National Intelligence Directorate, later transformed into the National Intelligence Center.

Further than the supplied computer programs and unverified reports on the participation of Chilean officers from Guatemala in operations against the EZLN, there is no information of any other anti-insurgency operation. But this is not what is the most relevant. What matters most and causes concern are reports among Chilean military circles that a sector of the Mexican officers see Gen. Pinochet as an example and the Chilean perception that the only long-term solution to Mexican problems will be by way of the military. [passage omitted]

For many reasons, the Chilean military connection is important to Mexico, where the process of the loss of President Ernesto Zedilllo's authority is on the increase. The Mexican president is said to admit privately to knowing that he is not popular, but has the remaining part of his six-year period ahead to demonstrate that his project for the nation was correct. His problem, like Allende's, is time. But Allende's path should definitively not be Zedillo's. [passage omitted]

Mexico: Roundup of Economic Developments Through 13 May

PA1405022196

[FBIS Report] The following is a compilation of reports on economic developments in Mexico monitored through 13 May.

President Ernesto Zedillo on 3 May signed the final documents on the Samalayuca II Project, an electric power plant that will cost $647 million and will produce 700 megawatts. The plant will be located in the state of Chihuahua. (Mexico City EL FINANCIERO in Spanish 6 May 96 p 24)

The drought in northern Mexico has severely affected agriculture and the cattle industry. According to the CNPR (National Confederation of Rural Property Owners) reports, in places such as Nuevo Leon, the drought has affected 75 percent of the total grain production. The drought has affected the cattle industry much worse. In Sonora, between 2,700 and 3,000 heads of cattle have died; in Coahuila, 70 percent of the cattle have died. According to the CNPR, in northern Mexico, 50 percent of the region's cattle have died. In Tamaulipas, the drought has affected 250,000 hectares of sorghum crop and is threatening 650,000 more hectares. In Nuevo Leon, the number of cattle has declined from 150,000 to 75,000 in the last two years. In Durango, 37,000 heads of cattle have been sold so the rest can survive. (Mexico City EL FINANCIERO in Spanish 6 May 96 p 29)

The Finance and Pubic Credit Secretariat (SHCP) and the Bank of Mexico acknowledged that the peso's exchange rate volatility has not disappeared, and although the pressure exerted on the peso has diminished, they do not discard future interventions in the exchange market. The SHCP said that despite signs of volatility during the first four months of 1996, the peso has appreciated 4 percent in regard to the U.S. dollar. The Bank of Mexico's 1995 Annual Report says that the four interventions in the currency exchange market last year contributed toward establishing order in the currency exchange market. (Mexico City EL FINANCIERO in Spanish 6 May 96 p 4)

According to CNBV (National Banking and Securities Commission) and Bank of Mexico reports, the 15 foreign bank operating in Mexico under NAFTA regulations have generated 1.296 billion pesos profit in just one year of operations. This is equivalent to 41.5 percent of the entire profits generated by the Mexican banking system in 1995, which includes 52 national banking firms. The foreign banks's share of the assets and net worth of the Mexican credit system is still insignificant, 3.3 percent and 7.5, respectively. However, foreign banks outstrip Mexican banks in profits and the lost cost of overdue loans. In 1995, foreign banks reported overdue portfolios of 2.8 percent, while the total Mexican banking system reports an average overdue portfolio of 7.0 percent. Foreign banks attend the needs of less than 500 large companies and do not offer a full range of banking services. (Mexico City LA JORNADA in Spanish 7 May 96 pp 44, 56)

According to first quarter 1996 financial results presented to the Mexican Stock Exchange by Mexican cement manufacturers, the Mexican cement industry reported a 9.2 percent sales drop compared to the same period in 1995, although the sector strengthened its finances by reverting its losses. The sector reported sales of 7.793796 billion pesos and a profit increase of 2.6453 billion pesos during the first quarter 1996 compared to the same period last year. Mexican Cement (Cemex) reported sales for 5.405 billion pesos, 6.4- percent less than last year. However, Cemex's profits rose to 2.6453 billion pesos, a 76.9 percent increase compared to the same period last year. Cementos Toluca's sales fell 10.1 percent to 1.116202 billion pesos, but reported profits of 783.163 million pesos compared to the same period last year. Apasco's sales fell 8.8 percent, but reported a 276.901 million pesos profit. Profits were attributed to price increases, less expenses charged to depreciation, greater production efficiency, and a less than expected sales drop because of an increase in exports. (Mexico City LA JORNADA in Spanish 7 May 96 pp 1, 4)

According to the National Association of Self-Service and Department Stores (ANTAD), department store sales fell 26 percent and self-service store sales fell 18 percent in the first quarter of 1996, compared to the same period last year. Despite the effects of the economic crisis, a slowdown in the contraction of the commercial sector is evident, which is a sign of recovery. (Mexico City REFORMA in Spanish 7 May 96 — received via Internet)

Banca Confia, a subsidiary of the Abaco Financial Group, has reported a loss of 166.9 million pesos in the first quarter of 1996. The report adds that Abaco Financial Group also reported a net loss of 131.1 million pesos. Confia reported an overdue loan portfolio of 1.7382 million pesos, 9.7 percent of its entire portfolio. (Mexico City REFORMA in Spanish 7 May 96 — received via Internet)

The total domestic sales of fuel oil and natural gas dropped 3.2 percent during the first three months of this year compared to the same period last year. Domestic gasoline consumption during this period totaled 475,000 barrels a day, a figure 5.3 percent below the amount consumed during this same period last year. (Mexico City EL FINANCIERO in Spanish 6 May 96 p 34)

A Pemex (Mexican Petroleum) report states that its extraction of crude oil rose 6 percent during the first three months of the year compared to the same period last year, according to a 7 May, Mexico City-datelined report. Its production of natural gas rose 14.2 percent also during this period. (Mexico City NOTIMEX in Spanish 1531 GMT 7 May 96)

Despite the government's plan to sell its ports to private companies, it will continue to invest in the country's ports for the next four years. According to the Secretariat of Communications and Transportation (SCT), it will invest 4.27 billion pesos in a total of 125 projects in 15 commercial ports. (Mexico City EL FINANCIERO in Spanish 8 May 96 p 10)

The 13 financial groups that have submitted their reports to the Mexican Securities Exchange (BMV) have an accumulated loss totaling 64.973 billion pesos at the end of the first three-month period of this year. Of these 13 financial groups, nine closed this period with profits or a reversal of last year's negative balances, but four, including Bancomer Financial Group, the second largest one in the system, experienced losses. The latter's loss totaled 1.865 billion pesos. (Mexico City EL FINANCIERO in Spanish 8 May 96 p 7)

According to a 9 May, Mexico City-datelined report, the Central Bank of Mexico (Banxico) has announced that the country's consumer price index had increased by 2.84 percent during April compared to the previous month of March. A communique issued by Banxico states that the inflation rate had increased by 11.43 percent during the first quarter of the year and that accumulated inflation had settled at 36.93 percent. The overall price increase, according Banxico, had been due to increases recorded in the price of items such as gasoline, skim milk, wages, tortillas, beans, domestic gas, beer and refreshments, automobiles, and transportation costs, among others. (Mexico City NOTIMEX in Spanish 2249 GMT 9 May 96)

After 12 continuous months of decline, the country's industrial sector finally registered a 4.1 percent growth during February, as the result of growth recorded in the manufacturing sector, which contributes one-fifth of the country's total GNP. The manufacturing sector continues to benefit from the 17.4 percent growth recorded in the country's assembly plant industry, which in turn benefited from the devaluation of the peso. Despite this fact, the production volume of the Mexican industrial sector is still 9.4 percent less than the highest rate recorded in October 1994. (Mexico City EL FINANCIERO in Spanish 9 May 96 p 25)

Pemex has announced that its petrochemical subsidiary Pemex-Petrochemical had recorded profits amounting to 797 million pesos during the first quarter of the year, 32 percent more than the profits reported during the first three months of 1995. In its latest quarterly report, Pemex has stated that the favorable results had been due to a greater volume of sales, more profitable domestic prices, and sound cost-cutting policies. (Mexico City EL FINANCIERO in Spanish 9 May 96 p 22)

From December 1995 to May 1996, Mexican corporations placed nearly $3.5 billion in private debt in the international markets. Approximately 80 percent of the resources received from these placements will be used to refinance liabilities maturing throughout 1996 and the first quarter of 1997. In addition, Mexican corporations during 1996 are scheduled to repay $11.811 billion in capital, $8.69 billion of which correspond to bank loans, and $2.237 billion in bonds and commercial papers placed in the international markets. (Mexico City EL FINANCIERO in Spanish 9 May 96 p 8)

Profits reported to date by insurance companies to the BMV increased by 63.2 percent during the first quarter of the year. Ten of the 27 insurance firms registered with the BMV have reported total profits amounting to 767.878 million pesos by March 1995 as opposed to the 470.288 million recorded during 1994. (Mexico City EL FINANCIERO in Spanish 8 May 96 p 5)

The Bank of Mexico has announced that excess demand for government securities has resulted in the sudden, general decline in the primary interest rates for Treasury Certificates (Cetes), particularly the leading interest rate, which not only recorded its fourth consecutive decline but also established another all time low. Total demand for Cetes during the last auction increased to 18.985 billion pesos, a 124.58 percent increase in demand in contrast to last week's auction. (Mexico City EL FINANCIERO in Spanish 9 May 96 p 8)

A 9 May, Mexico City-datelined report states that Mexico's steel production was 3.2 million metric tons during the first quarter of this year, a 12.1 percent increase over the first quarter of 1995, the National Chamber of Steel has reported. Despite the economic crisis, Mexico occupied 15th place in the past two years. In addition, Mexico is Latin America's second leading producer after Brazil. (Madrid EFE in Spanish 2311 GMT 9 May 96)

Securities Auction Capital, a firm that specializes in collections, has reported that at least 474,000 of every 1,000 bank loan debtors have become delinquent at the end of the first quarter this year, because they have been unable to meet their interest payments and because of the constant deterioration of the purchasing power of salaries. (Mexico City LA JORNADA in Spanish 9 May 96 p 43)

Federal and state governments have reported subsidies for 211.5 million pesos for the agricultural and cattle raising sectors, which have been affected by the worst drought of the past 50 years. The agriculture secretary has announced that 640,000 hectares have not been planted this year also because of the drought and that it will be necessary as a result to import 8.5 million metric tons of basic grain this year instead of the usual annual 4.5 million metric tons. (Mexico City LA JORNADA in Spanish 9 May 96 p 46)

The Bank of Mexico has announced that inflation rose by 2.84 percent in April and that prices increased by 11.43 percent on the average, which is less than the 20.5 percent estimated by the government for the entire year. (Mexico City LA JORNADA in Spanish 10 May 96 — received via Internet)

The Finance Secretariat has announced that Mexico's commercial balance attained a surplus of $1.846 billion during the first quarter of this year, a figure which represents an annual increase of 15.9 percent. In this quarter, Mexico exported $21.781 billion in goods and imported $19.935 billion in goods. (Mexico City LA JORNADA in Spanish 10 May 96 — received via Internet)

El Salvador

El Salvador: President on Honduras, Police, U.S. Advisers

PA1305171296 San Salvador Radio Nacional de El Salvador Network in Spanish 2200 GMT 7 May 96

[News conference by Salvadoran President Armando Calderon Sol with local and foreign reporters in San Salvador, moderated by Presidency Information Secretary Francisco Imendia — live]

[FBIS Translated Excerpt] [passage omitted] [Imendia] Ramon Hernandez of TCS Television Network.

[Hernandez] Good afternoon, Mr. President. One question: The residents of former disputed border areas said authorities of the two countries have abandoned them. I would like to know, what is the status of negotiations to solve their problems?

[Calderon Sol] The situation with Honduras?

[Hernandez] Yes.

[Calderon Sol] Yes, look, the foreign ministries' legal commissions and the binational commission have been working on this. I believe they have come across some problems in this concern and I hope to talk with [Honduran] President [Carlos Roberto] Reina and perhaps be able to create a political commission. This way we might be able to achieve some progress and expedite things to make up for the legal commissions' delays. Consequently, I hope the road will be cleared, although they have worked hard and a consensus has been reached on many points. We hope, meaning the government of the Republic, to expedite the situation with the Honduran Government because President Reina is also an expert on international law.

[Imendia] Mauricio Ramirez of Megavision.

[Ramirez] Thank you. Mr. President, even though the emergency law's enforcement is necessary do you not think it has been enforced in an abusive manner, bearing in mind what the court president said last night. He said it is even being enforced for minor crimes, meaning drunks and misdemeanors against policemen. Do you not think abuse has been perpetrated concerning the law's enforcement?

[Calderon Sol] Quite the contrary, I would say there is no abuse involved in the law's enforcement because the people are turned over to a judge, and it is precisely the judge who decides where they go. Do not forget that the penal code also includes misdemeanors and, quite the contrary, I believe this says a lot about the respect that prevails concerning the law and the division of authority within the National Civilian Police [PNC]. This means there is more work for the judges and there is undeniably more work for the judicial branch; but I believe it also shows the PNC's quality because it turns over the prisoners to a judge rather than taking them where it is appropriate. I believe we must praise the PNC for this. [passage omitted]

[Imendia] Jacqueline Corleto of Canal Dos Television.

[Corleto] Yes. Good afternoon, Mr. President. I would like to know: Complete secrecy prevailed concerning the United States' advisory role during the armed conflict that our country experienced some years ago. Now then, I understand it has now been stated that 21 U.S. soldiers, gringo advisers, had died. Why did this wait until now, Mr. President?

[Calderon Sol] Look, I have no idea. I know nothing about this. I am... [pauses] You ask me a question I know nothing about. I do not know how many Americans died and I only know some advisers were killed in an attack at the Zona Rosa. I know... [pauses] I would say I know as much as you do. I know nothing about this and I am not interested in the past. I am interested in the future of El Salvador, the future of the Salvadoran people.

I believe we should forget, cast off the past, the war, and the sorrow. This is now behind us and I am, on a personal basis, an enthusiastic president who looks toward the future and wants to lead the Salvadoran people toward development. I believe the war has been left behind, this is a new state, El Salvador is a new country, it is a consolidated democracy and we continue to consolidate it on a daily basis; and I believe our obligation is to develop things and fight poverty. That is the true war we currently face.

[Imendia] Carlos Mario Marquez.

[Marquez] Good afternoon, Mr. President. The peace process in Guatemala evolved satisfactorily a few hours ago and some agreements were signed. During the Costa del Sol summit you were appointed commissioner for the peace process in Guatemala. I would like to hear your comments about this favorable development.

[Calderon Sol] Yes, in fact, we are quite happy and satisfied to see that the sister Republic of Guatemala advances with a firm step toward a true peace. I believe the signing of the agreements reached in Mexico opens more opportunities to fully settle the conflict. I think Guatemala, and Central America as a whole, are on the right road for the peace that the Central American people want so much. I have personally congratulated President Alvaro Arzu and I have congratulated the

Guatemalan people for this progress toward the achievement of peace in Guatemala. I believe this is a victory not only for Guatemala but also for Central America.

[Imendia] Thank you, gentlemen.

Guatemala

Guatemala: Ambassador Discusses Human Rights Cases

PA1305205896 Mexico City NOTIMEX in Spanish 0616 GMT 8 May 96

[By Jesus Esquivel]

[FBIS Translated Text] Washington, 8 May (NOTIMEX) — Pedro Miguel Lamport, ambassador to the United States, has denied that his country's relations with the U.S. Government are experiencing "a critical phase" on account of the three cases of human rights violations.

The diplomat was commenting during an interview with NOTIMEX on the murders of Michael DeVine (1980), guerrilla Efrain Bamaca (1982), and the kidnapping, torture, and rape of Sister Diana Ortiz allegedly by Guatemalan soldiers (1989).

During the interview, the ambassador said that institutional reform conducted in a gradual manner is beginning to yield positive results on judicial matters because it strengthens absolute respect for human rights.

Under this premise, the diplomat stressed that the government of President Alvaro Arzu is working hard to provide a satisfactory answer to the complaints in which the United States is involved.

With regard to the case of U.S. citizen DeVine, Lamport reiterated that the perpetrators were arrested and sentenced by the Supreme Court of Justice during an investigation process conducted by the government prior to that of Arzu.

Army Captain Hugo Contreras, who is the main suspect in Devine's murder is a fugitive from justice, because he escaped prison in May 1993, according to Guatemalan press reports.

"In the other cases (Bamaca and Ortiz), clear information is coming from the declassification of documents that the United States has begun, which will serve as the basis for the Supreme Court to conduct a thorough investigation," Lamport noted.

The ambassador emphasized that the ties between U.S. President William Clinton's government and that of his Guatemalan counterpart, Arzu, have not been undermined by the Ortiz, Devine, and Bamaca cases.

He said that, since these events happened before Arzu became president on 14 February, the White House understands and appreciates the Guatemalan Government's efforts to clear all the charges.

"The Devine, Bamaca, and Ortiz cases do not have a negative impact on Guatemalan-U.S. ties; the cases are progressing according to Guatemalan judicial laws," Ambassador Lamport emphasized.

According to THE WASHINGTON POST reports published on 5 May, at least two former Guatemalan presidents are involved in a large-scale conspiracy to protect the military guilty of those violations.

In an extensive report on the U.S. State Department's investigation on Devine's death, the newspaper reported that former Presidents Vinicio Cerezo and Jorge Serrano hid information and lied about the military involved in the case.

The State Department investigation that began 14 months ago with regard to the U.S. citizen's death revealed evidence about a campaign organized at the highest level by the Guatemalan Government to protect the culprits.

Devine, owner of a hostel in a remote region of Guatemala, was arrested, tortured, and summarily executed on 8 June 1990 by Guatemalan soldiers from the "D-2" group, spearhead of the struggle against Communist rebels in the country.

According to State Department documents on the investigation, which were examined by THE WASHINGTON POST, the arrest warrant and execution order against Devine might have been issued by the highest-ranking officers in that military group.

The newspaper added: According to the investigation, Colonel Julio Roberto Alpirez, initially charged with the assasssination, did not participate in the crime and was sacrificed by the Guatemalan military to alleviate the diplomatic crisis with Washington.

Nevertheless, the report mentions that Alpirez was a CIA agent and he was a member of the "D-2" command, which was also financed by resources from the U.S. espionage agency.

Alpirez was also identified as responsible for the arrest, torture, and death of guerrilla member Efrain Bamaca Velasquez, the husband of a U.S. citizen, who exerted pressure for three years to find out about her missing husband's whereabouts and fate.

However, according to the State Department's investigation, Alpirez was not responsible for Devine's death and, in his role as CIA agent, he alerted Washington about Devine's possible execution a couple of weeks before it occurred.

The POST article said Devine's execution could have been a Guatemalan Army attempt to stop him from reporting the "D-2's" participation in drug trafficking activities.

Nevertheless, the Guatemalan Government's version is quite different from the statements given by people who witnessed the incident. The witnesses mention a platoon of soldiers in civilian clothes, which tortured him for several hours and later beheaded him with a machete.

The influential newspaper said the Guatemalan Government has been involved in a conspiracy to protect the actual culprits since 1993, when Washington began to exert pressure to ascertain responsibility in the case.

In addition to Cerezo and Serrano, the newspaper said the U.S. Government's investigation directly accused former Defense Ministers Juan Leonel Bolanos and Luis Enrique Mendoza of participating in the conspiracy.

The Devine and Bamaca cases provoked a crisis in Washington's relations with Guatemala, and this led to the temporary suspension of all U.S. military aid to the Central American nation.

The POST emphasized: Despite the measure, the CIA continued to finance the Guatemalan Army's counterinsurgency activities, a fact that undermined any official effort to exert pressure for results on the investigation.

Nevertheless, former Guatemalan President Vinicio Cerezo Arevalo — who was in Managua, Nicaragua, on Tuesday — denied he had covered up Devine's assassination when he was head of state, as it is stated in documents released by the State Department.

"The only thing we can say is that we never received information on names or surnames (of the suspects) and we never covered up or obstructed any investigation of the case," Cerezo said in a Nicaraguan television talk show.

Cerezo said he "issued specific orders" during his administration to conduct the necessary investigations, and he admitted that some Army officers were denounced when it seemed they were withholding information or obstructing the investigations.

According to Cerezo, it was found that the Army was conducting an investigation at the time, dealing with drug trafficking and gunrunning that Devine had reportedly carried out in the Zone of El Peten. Guatemalan officers were reportedly involved in the illegal operation.

"We could confirm that he (Devine) was being investigated by Army officers in El Peten. He was charged with gunrunning Army weapons. We thought some Army people could be involved," Cerezo said.

Cerezo said the investigations could not be concluded because his term ended in January 1991; adding he "was quite surprised" to read the documents published by THE WASHINGTON POST and delivered by the State Department on Friday.

"We ran out of time; I could not continue the investigation because I left the Presidency; and it was continued by (former) President Serrano. He should be the one to provide the necessary explanations," he emphasized.

Guatemalan Army Captain Hugo Contreras is directly accused of Devine's assassination, and he is still at large, after escaping from prison in May 1993.

The case of guerrilla member Bacama remains unsolved even though exhumations were carried out at a military area in 1995 to find his body, and even though his wife, U.S. lawyer Jennifer Harbury, is still exerting pressure on her government to solve the case.

According to the Guatemalan Government, Bamaca, alias "Commander Everardo," died in a clash with an Army patrol in 1982, although former guerrilla members have reported that he was arrested alive, tortured, and later assassinated.

Guatemala: Minister Deplores Russian Diplomat's Death

PA1405231596 Guatemala City Cadena de Emisoras Unidas in Spanish 2100 GMT 14 May 96

[Report by Armando Perez in Guatemala City; from the "News Patrol" newscast — live]

[FBIS Translated Text] Foreign Minister Eduardo Stein deplored the death of Russian diplomat Yuriy Trushkin, who was transferred to Havana, Cuba, on Saturday to continue his medical treatment. The diplomat was hospitalized in Guatemala, after he sustained various gunshot injuries at km 53 on the road to El Salvador.

[Begin recording] [Stein] It is true. Unfortunately, we received a telephone call about two hours ago from our ambassador to Russia, notifying us that the Russian diplomat had died. We immediately issued instructions so that our embassy may officially convey our government's condolences to the Russian Government.

[Perez] Regarding the [word indistinct] about this case, is there any indication who the perpetrators may be?

[Stein] Well, I have no specific comment on this, only that the government minister told us some arrests had been made over the weekend as a result of various searches carried out on Saturday. Apparently, there is evidence that the arrested people could be involved in some of the criminal activities that occurred on that part of the highway. [end recording]

Guatemala: Resources Sought Through Diplomats Abroad

PA1205194296 Guatemala City SIGLO VEINTIUNO in Spanish 9 May 96 p 3

[FBIS Translated Text] President Alvaro Arzu yesterday announced the beginning of a diplomatic campaign aboard to obtain economic resources to fulfill peace agreements, adding that the signing of the latest accord has triggered a controversy, as on the one hand the international community welcomed it, while on the other hand national groups are worried and deplored the road toward peace.

When asked if economic resources were being sought to comply with the accords, Arzu responded that diplomatic representations abroad were engaged in this, noting that European and Asian delegations that visited the country had offered their help.

Arzu attested to the media his satisfaction with the worldwide response, adding that Guatemala has been praised and recognized like never before in the past 40 years.

Immediately afterward, he explained that the controversy lies in the fact that the international community and national groups — regarded as hard-liners in the past — such as CACIF [Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] and the AEU [Association of University Students] have adopted a serious position in support of the latest accord, while other sectors deplore its signing.

Apprehension Among Those Who Will Have to Seek Jobs on Account of the Signing of the Peace Accord

Some people, Arzu added, have said that good intentions are shown on paper, while another group has been referring to the human rights violations for some time now.

It seems as if the signing of the accord prompts apprehension and could mean the withdrawal of something that would make them seek jobs, he added.

With regard to Conic [National Indians and Peasants Coordinating Board] insisting on the occupation of farms, Arzu said that there is also a controversy because the feelings of Guatemalans in general and the international community contradict the feelings of those who would like another Xaman.

Guatemala: Minister Proposes Bill To End Military Immunity

PA1505011496 Guatemala City Televisiete Television in Spanish 1900 GMT 10 May 96

[From the "Channel Seven News"]

[FBIS Translated Text] Defense Minister General Julio Balconi Turcios has submitted to the Congress of the Republic a bill that seeks to amend military immunity [fuero].

[Begin recording] [Balconi] This new legal system, in Article 546 of Chapter One of Title Two of the final provisions, establishes a body of laws in the Military Code on the matter of common offenses or misdemeanors perpetrated by servicemen or military offenses related to common offenses or misdemeanors. In this respect, it first establishes the implementation of the new code to investigate and bring those offenses and misdemeanors to trial. In addition, it creates lower military courts in charge of handling the investigation, as well as other military courts in charge handling the case in the other phases and mechanisms of the process.

We believe the mere fact that a person is a member of a specific profession is no valid reason to receive the benefit of special immunity for illegal actions or acts of omission that have no relation to the functions or do not fall within the framework of the activities befitting his profession or post.

Along this line this thought, we believe that whenever a common offense or misdemeanor is committed it makes no difference whether the perpetrator is a serviceman or not, and the fact that personal immunity exists in this respect seriously clashes with the constitutional guarantee of equality before the law that all citizens of the Republic have. In addition, the creation of the lower military courts qualified to handle common offenses and misdemeanors perpetrated by army members has doubled the jurisdictional organisms ... [pauses] created to handle these offenses. [sentence as heard]

We also believe it is not just or correct that the Guatemalan Army should suffer as an institution from the effects of the illicit conduct of some of its members for actions that are wholly alien to its duties. [end recording]

Guatemala: URNG, Guatemalan Government Sign Agreement

PA1005221096 Guatemala City PRENSA LIBRE in Spanish 7 May 96 pp 73-79

["Text" of Agreement on Socioeconomic Aspects and the Agrarian Situation signed between the Guatemalan Government and the Guatemalan National Revolutionary Unity [URNG] in Mexico City on 6 May]

[FBIS Translated Text] **Whereas:**

That socioeconomic development demands social justice, as one of the basis for national unity and solidarity, as well as sustainable economic growth, as a condition to respond to the peoples' social demands.

That an overall strategy is necessary in rural areas to facilitate the peasants' access to land and other productive resources, which promotes legal security and favors the solution of conflict.

That the present agreement seeks to create or strengthen mechanisms and conditions that guarantee an effective participation of the people and gathers government's foremost objectives to set the basis for this participatory development.

The Guatemalan Government and the URNG (hereinafter referred as the parties) agreed to the following:

I. Democratization and participatory development

A. Participation and social consensus

To strengthen real, functional, and participatory democracy and comprise: a) consensus and dialogue between representatives of the socioeconomic development; b) consensus between these representatives and state institutions in the drafting and implementation of strategies and development actions; and c) peoples' effective participation in identifying, setting priorities and fulfilling their needs.

Citizens' participation in the socioeconomic development as well as being a democratization factor is essential to improve productivity and economic growth, for equitable distribution of wealth and assessment of human potential.

With this disposition and in accordance with the agreements on the Resettlement of the Peoples Uprooted by the Armed Conflict and Indian Identity and Rights [Reasentamiento de las Poblaciones Desarraigadas por el Enfrentamiento Armado e Identidad y Derechos de los Pueblos Indigenas], **the parties concur that it is important to create or strengthen mechanisms that allow citizens and different social groups to effectively exercise their rights and fully participate in the decisionmaking on different issues that affect or interest them, with full awareness and in a manner that responsibly fulfills social obligations on personal and collective matters.**

Consensus: Social consensus is essential at the national, departmental, and community levels, as well as at the rural and urban productive units to promote and establish economic and social principles. **State organizations must organize themselves to carry out this role of reconciling interests and seeking a consensus** in order to achieve efficiency and effectiveness of operations in behalf of productive modernization and competitiveness, promotion of economic growth and adequate provision of comprehensive basic social services.

Participation at the local level: In accordance with the present agreement, the government pledges to set measures to increase peoples' participation in the different fields of public administration, including the policies for social and rural development.

To strengthen peoples' participation and at the same time, the state's administration, the government pledges to:

Communities: Promote reforms to the Municipal Code in order for the mayors to be able to appoint assistant mayors taking into account peoples' proposals in open town councils.

Municipalities: To promote social participation in the framework of municipal autonomy, stimulating decentralization toward municipal governments, with the consequent reinforcement of its technical, administrative and financial resources.

Departments: To promote before Congress a reform to the law on departments of the Republic, in order for the president to be able to appoint the departmental governor taking into consideration candidates proposed by nongovernmental representatives from the Departmental Development Councils.

Regions: To divide services into fields of health, education, and culture of Indian groups and guarantee full participation of the Indian organizations in the drafting and implementation process.

Urban and Rural Development Councils System: It is necessary to reestablish Local Development Councils, promote reforms to the law on Urban and Rural Development Councils to expand the participation of sectors in the Departmental and Regional Development Councils; and guarantee adequate financing of the council system.

Women's Participation in Economic and Social Development

Women's active participation is indispensable for the economic and social development of Guatemala and the state has the obligation to promote the elimination of every kind of discrimination against them.

The government, therefore, pledges to take into consideration the specific economic and social condition of women in its development strategies, plans, and programs and to train civil service personnel in analysis and planning based on this approach. This includes:

Education and Training: To guarantee that women have equal opportunities and conditions for study and training and that education contributes to uproot any form of discrimination against them in contents of education.

Housing: Guarantee women access under equal opportunities to a house of their own, eliminating stumbling blocks and impediments that affect women with regard to leasing, loans, and construction.

Health: Implement national overall health programs for women that entail access to appropriate information, prevention, and medical care services.

Employment: Guarantee women the right to work, something that requires: i) promoting job training for women through different means; ii) revising labor legislation to guarantee equal rights and opportunities for men and women; iii) in rural areas, recognizing women as farm workers for the purpose of appreciating and remunerating their work; iv) enacting legislation to defend the rights of women working as house servants, especially with regard to fair wages, working hours, social benefits, and respect for their dignity.

II. Social Development

It falls on the government to promote, direct, and regulate the country's socioeconomic development so that through the joint effort by society economic efficiency, higher satisfaction of social needs, and social justice are assured in an overall manner.

The country's accelerated growth is necessary to generate jobs and its social development, factors that are indispensable for its economic growth and a better incorporation into the world economy. On this matter, improving the standard of living, health, education and training of its citizens constitutes the premise to bring about sustainable development in Guatemala.

Responsibility of the State

The state has unavoidable obligations on the task of eliminating social inequalities and deficiencies by guiding development as well as by making public investment and providing comprehensive social services. **By the same token, the state has specific obligations stemming from the constitutional mandate to provide the effective exercise without any discrimination of the rights to work, health, education, housing, and other social rights.**

Productive investments: The country's socioeconomic development cannot depend solely on public finances and international aid.

The sides urge local and foreign businessmen to invest in the country, considering that the signing of a accord for a strong and lasting peace and its implementation are essential components of the stability and transparency that investment and economic expansion require.

GDP: The government, in turn, **pledges to adopt economic policies seeking to reach a sustained GDP growth, at a rate no smaller than 6 percent a year, that allows an advanced social policy.**

The State's Guiding Role: To fulfill this objective and the state's guiding role on social policy, the government pledges to:

— Promote and guarantee the participation, in accordance with policy, of all the economic and social sectors that can cooperate in social development and, in particular, in the overall access to social services;

— Raise significantly social investment, in particular, on health, education, and employment;

— Restructure the budget to benefit social spending;

— Upgrade the administration of public resources and investments by making them decentralized and less bureaucratic through reforms of the mechanisms to implement the budget, ensuring they are autonomous in the decisions and handling of finances so that their efficiency and transparency can be guaranteed, and strengthening control and auditing mechanisms.

A. Education and Training

Education and training play a basic role in the country's socioeconomic, cultural, social, and political development. These are essential for a strategy toward equity and national unity as well as being decisive for economic modernization and international competitiveness.

In order to meet the educational needs, the government pledges to:

Educational expenditure: Significantly increase the allocation of resources for education. **As a minimum, in the year 2000 the government intends to increase the funds allocated to public education in relation to the GDP by 50 percent over what was actually spent**

in 1995. These goals will be gradually revised as the fiscal situation improves.

Coverage: Urgently extend the coverage of educational services at all levels, offering particularly bilingual education in the rural area.

Training of workers: Adequately and efficiently develop community and business training programs so that workers may learn new skills and become acquainted with new technology. Emphasis will be given to those residing in low-income areas and rural communities with the assistance of other sectors that may cooperate with this effort.

Higher education and research: The Guatemalan Government pledges to timely give the USAC [San Carlos University] its exclusive allocation, which the Constitution provides for. With due respect to the USAC's autonomy, the signatories of this agreement urge the authorities of this educational center to favor all of the initiatives that would increase USAC's contribution to the country's development and the consolidation of peace.

B. Health

The signatories of this agreement agree that it is necessary to promote a reform of the national health sector. This reform should be directed toward the people's efficient use of their fundamental right to health services without discrimination, and toward the state's efficient fulfillment of its health and social welfare obligations with the necessary resources. Following are some of the guidelines of the aforementioned reform:

Coordinated national health system: It is the Ministry of Public Health and Social Welfare's duty to formulate policies that will allow the entire Guatemalan population to have access to integrated health services. To reach a consensus with this sector's public, private, and nongovernmental institutions, including the IGSS [Guatemalan Social Security Institute], in coordination with the Ministry of Public Health and Social Welfare in order to implement measures that will allow the entire Guatemalan population to have a generalized access to integrated health services.

Low-income population: To create the conditions that will guarantee that the low-income population has an effective access to quality health services. The government commits itself to increase resources earmarked for the health sector. As a minimum, **the government proposes that by the year 2000, public expenditures executed in the health sector be increased by 50 percent of the GDP index recorded in 1995.**

Care Priorities: The government commits itself to allocate at least 50 percent of all public expenditures in the health sector to preventive care, and **also commits to cut the infant and maternal mortality rate, before the year 2000, to 50 percent of the index recorded in 1995.**

Decentralization of the Administration: The decentralization of the various levels of medical care, which is the foundation of the national coordinated health system, must guarantee the existence of health programs and services at the **community, regional, and national level.**

C. Social Security

Social security constitutes an instrument of human solidarity that contributes to social welfare, as well as to establish the foundations for stability, economic development, national unity, and peace. According to the Political Constitution of the Republic, the execution of the social security system is the responsibility of the Guatemalan Social Security Institute, IGSS, which is an autonomous agency.

In this respect, the IGSS financial standing must be strengthened by means of a tripartite control system of contributions. In addition, new IGSS management methods, with the participation of the institution's sectors, should be promoted.

D. Housing

We recognize the need to implement, in accordance with the constitutional mandate, a development policy focusing on the construction of low-income housing through appropriate financing systems. This will enable the largest number of Guatemalan families to own a property. To that end, the government undertakes to:

— Devise territorial organization policies, particularly urban planning and environmental protection, allowing the poor to have access to housing with services and under conditions of hygiene and conservation.

— Promote also a policy to increase the supply of housing in the country, to enable the low-income sectors of the population to rent or own a house.

— Design and implement, in addition, a direct subsidy to meet the demand for housing of low-income persons, in order to benefit the needy. To that end, it will strengthen FOGUAVI [Guatemalan Housing Fund] to improve its ability to offer financial resources to the poor and extreme poor.

National commitment: The government undertakes to allocate no less than 1.5 percent of the tax revenues to the housing promotion policy beginning in 1997, prioritizing the subsidy to meet the demand for low-income housing.

E. Labor

The policy of the state regarding labor is key to a strategy of growth with social justice. To implement this policy, the government pledges to:

— Promote, during 1996, the legal and regulatory changes that will make labor laws effective and impose severe penalties on labor law violations, including those concerning minimum wage offenses, nonpayment, withholding, and delay in payment of salaries, hygiene and security conditions, and the working atmosphere.

— Deregulate and increase labor inspection services that strengthen the ability to oversee compliance with internal labor norms and those derived from international conventions ratified by Guatemala. Special emphasis must be placed on overseeing compliance with the labor rights of women workers in the countryside, migrant and temporary workers, domestic help, minors, elderly people, handicapped, and other workers who may be vulnerable or defenseless.

It is necessary that the nationwide professional training and education programs serve at least 200,000 workers before the year 2000, with emphasis on those will join economic activity and those requiring special training to adapt to the new conditions of the labor market.

For agricultural workers still subject to being hired through contractors, reforms will be proposed establishing juridical, expeditious, and flexible forms of association that permit a negotiation; additionally, a culture of negotiation will be promoted along with the training of spokespersons to settle disputes and reach agreements for the benefit the parties involved.

III. Agrarian Situation and Rural Development

The solution to the agrarian and rural development problems are essential and unavoidable to solve the situation faced by a majority of the population that lives in rural areas and that is the one most affected by poverty, extreme poverty, iniquities, and the weakness of state institutions. The modification of the system for ownership and use of land must strive to include the rural population in the economic, social, and political development. Thus, the land will become — for those who till it — the basis for economic stability, the groundwork for their progressive social welfare, and guarantee their liberty and dignity.

The changes accepted by the parties will allow the country to effectively use its citizens' capabilities, particularly the wealth of its Indian people's tradition and cultures. It should also use these resources' high potential for agricultural, industrial, trade, and tourism development, given its wealth of natural resources.

The state should play a basic and urgent role in this process. As the guide for national development, lawmaker, source of public investments, renderer of services, advocate of social unity and solution to conflicts, it is essential that the state increase and reorient its efforts and resources toward the countryside; and to support an agrarian modernization in a sustained manner to achieve greater justice and efficiency.

The government pledges through this agreement to sponsor an overall strategy which includes the multiple elements that comprise an agrarian reform and include land ownership; credit systems and mechanisms; processing and marketing; agrarian legislation and legal protection; labor relations; technical aid and training; sustainable agrarian resources and the rural population's organization. The strategy includes:

A. Participation:

The government pledges to improve the capability of rural organizations, such as the Associated Peasant Enterprises [Empresas Campesinas Asociativas — ECA], cooperatives, peasant associations, joint ventures, self-management enterprises [empresas autogestionarias], and family enterprises, to fully participate in decision-making, particularly on matters affecting them. Moreover, the government pledges to create or strengthen the state institutions that carry out activities for rural development, especially those in the agricultural public sector, in order to promote full participation in decision-making, particularly by women.

B. Access to Land and Production Resources:

To promote peasants' access to land ownership and the sustainable use of resources in the territory. For this purpose, the government will take the following measures:

Access to land ownership: To create a land trust fund at a participatory banking institution to provide credit assistance and to promote savings, preferably among mini, small, and medium-sized entrepreneurs. It will be this fund's policy to give, as a priority, the land to male and female peasants who have become organized for this purpose, using economic and environmental sustainability as criteria.

The fund will initially comprise the following lands:

— National uncultivated lands and plots of land that have been registered on the Nation's behalf; national lands that have been illegally distributed in settlement zones, particularly in Peten and the Northern Transversal Strip [Franja Transversal del Norte], which the government pledges to recover through legal action; and lands that might be acquired with the government's resources that have been allocated to the Fonatierra [National Land Fund] and the Fonapaz [National Fund for Peace] for this purpose.

Access to land ownership:

To favor the creation of all possible financial mechanisms to develop an active land market that will allow peasants to acquire land if they do not have any or those who do not have enough. This is to be done through long-term transactions at commercial interest rates or lower, with a minimum down payment or with none. Especially favor the issuance of state-guaranteed mortgage securities, with a yield that is attractive to the private market and especially to financial institutions.

Access to natural resources:

To grant by 1999 concessions to small and medium-sized, legally organized peasants, for the handling of natural resources concessions, 100,000 hectares within areas of multiple sustainable forestry use, administering of protected areas, ecotourism, watershed protection, and other activities compatible with the sustainable potential use of the natural resources of those areas.

C. Support Structure:

In addition to a fairer access to productive resources, a more efficient and fairer agrarian structure, requires the development of a support structure that will allow peasants increasing access to commercialization, information, technology, training, and credit facilities. In addition to promises of social investment, particularly in health, education, housing, and work as stipulated in the chapter on Social Development, the government pledges to:

Basic infrastructure: Prepare an investment program for rural development with emphasis on basic infrastructure (roads, rural roads, electricity, telecommunications, water, and environmental cleaning) and production projects **for an amount of 300 million quetzals annually for the 1997-1999 period.**

Credit and financial services: Begin in 1997 at the latest the operations of the Land Fund and, at the same time, promote conditions that allow small- and medium-sized peasants to get credits, individually or collectively and in a sustainable manner. With the support of the business sector and nongovernmental development organizations, to promote the strengthening of local savings and credit associations, such as associations, cooperatives, and others. This will allow authorities to offer credits and financial services to small- and medium-sized businessmen in an efficient manner and in keeping with local needs and conditions.

Marketing: Develop a system [illegible] storage and free zone centers in order to facilitate the processing and marketing of products from the countryside and the generation of more rural jobs.

D. Production Organization of the Rural Population

The government undertakes to:

— Support the micro-, small-, and medium-sized rural and agricultural enterprise, strengthening its different forms of organization such as Peasant Enterprises, ECA, cooperatives, peasant associations, joint ventures, self-employed and family companies.

— Tackle the problem of small landholdings through a firm and sustainable policy of supporting small landholders, enabling them to become small farmers by means of access to training, technology, credit, and other contributions. In addition, promote, if small landholders so desire, a land concentration in those cases in which the conversion into small companies is not possible due to the dispersion and the size of properties.

E. Legal Framework and Judicial Protection

Taking into account, in all cases, provisions included in the Agreement on the Identity and Rights of Indian Communities, the Government agrees to:

Promote legal reforms that will establish a legal framework related to land ownership that is secure, simple and accessible to the entire population. Said reform must simplify procedures related to the entitlement and registration of property rights and other concrete privileges, as well as simplify all administrative and legal steps as well as procedures.

Promote a review and modifications of the legislation related to uncultivated land in such a manner that it will meet requirements stipulated in the Constitution and regulate issues related to uncultivated land including incentives and penalties, as well as underutilization and its incompatibility with the sustainable use of natural resources and the preservation of the environment.

Rapid solutions of all land conflicts:

Establish and apply swift judicial or nonjudicial procedures to solve lawsuits related to land and other natural resources (particularly direct agreements and settlements), taking into account commitments included in the Agreement on Resettlement of the Population Uprooted Due to Armed Conflict and the Agreement on the Identity and Rights of Indian Communities. In addition, establish procedures that will allow:

— The formulation of compensation mechanisms in case of suits and land claims where farmers, peasants, and communities undergoing situation of extreme poverty have been or may have been dispossessed for reasons not attributed to them; and, as the case may warrant, reinstate or compensate the State, the municipalities, communities, or individuals whose properties may have been usurped, or adjudicated in an anomalous and unjustified manner through mechanisms involving abuse of authority.

F. Registration of Real Estate and Cadastre

The Government agrees to promote legislative reforms that will allow the creation of a decentralized, multi-user, efficient, financially sustainable, easy-to-update and mandatory registration and cadastre system. Likewise, the Government commits itself to start, by no later than January 1997, a cadastral information system, as well as a cadastral registration update system, starting with those regions deemed as priority.

G. Labor Protection

The government agrees to promote a more equitable participation of rural workers in the benefits of the agriculture sector and a reorientation of labor relations in the rural area.

H. Environment Protection

Guatemala's natural wealth is a valuable asset to the country and humanity, in addition to representing a cultural and spiritual treasure to the Indian communities. In this context, the Government reiterates the following commitments: To accommodate the educational content of its training and technical assistance programs to demands posed by sustained environmental growth; give priority status to environmental clean up in all health programs as well as to combine all territorial reordering programs, particularly urban planning, with measures to protect the environment.

I. Resources

In order to underwrite the measures mentioned above, and considering the priority feature of the agriculture modernization and rural development, the Government agrees to increase State resources earmarked for this purpose, by means of, and specifically:

— **Territorial Tax:** Promote legislations and mechanisms to implement by the year 1997, in consultation with the municipal governments, a territorial tax in those rural areas where it will be easily collected by those municipalities.

— **Tax Over Uncultivated Land:** Establish new tax brackets for the annual tax on uncultivated land that significantly taxes uncultivated land and/or underutilized private property.

IV. Modernization of Government Administration and Fiscal Policy

A. Modernization of Government Administration

Government administration should be converted into an instrument for policy development. To do this, the Government promises:

To further the decentralization and deconcentration of the authority, responsibilities and resources that are concentrated in the government to modernize and make the government administration more effective and agile. This implies fostering a revision of the Governing and Administration Law of the Departments of the Republic, specifically, Decree No. 586 of 1958, to simplify and decentralize the concentration of public administration.

National Supervision: Reform, strengthen, and modernize the Comptroller General's Office.

Professionalizing and dignifying public servants: The state should have qualified personnel to handle its resources efficiently and honestly. To do this, it must establish a civil service career, take legal and administrative measures to ensure that the Law of Integrity and Responsibility is obeyed, and encourage legal sanctions for acts of corruption and the mismanagement of public funds.

B. Fiscal Policy

Fiscal policy (income and expenses) is the key instrument for the State to carry out its constitutional obligations, particularly, those related to social development, which is essential in the search for the public's well being.

Budgetary policy: Should respond to the need for stable socioeconomic development, requiring a policy of public expenditure within the following basic principles:

Giving priority to social expenditure, financing of public services benefits, and basic infrastructure that supports production and marketing.

Giving priority to social investment in the health, education, and housing sectors, rural development, the promotion of jobs, and fulfillment of the peace accord commitments.

Tributary policy: Should be drafted in a manner to allow the collection of needed resources to fulfill State objectives, including the required funds for the consolidation of peace in a tributary system within the following basic principles: To be a fair, equitable, and overall progressive system, in keeping with the constitutional principle of payment capability; to be universal and compulsory; and, to promote savings and investment.

Tax Collection Objective: The government pledges that before 2000 the tax burden will have gone up at least 50 percent with regard to the GDP, compared to the 1995 tax base.

Fiscal Commitment: *In order to advance toward a just and equitable tax system, the government pledges to combat the worst factor of injustice and inequity on tax matters, namely, tax evasion and fraud, especially on the part of those who should be the largest contributors.*

It is necessary to promote a reform to the Tax Code, creating stiffer sanctions on tax payers, as well as on the officials in charge of managing taxes, for tax evasion and fraud.

It also pledges to expedite a reform to the tax legislation in order to eliminate the provisions that facilitate tax evasion.

Strengthening of Tax Management: [The government pledges] to strengthen the existing oversight and collection mechanisms, such as cross checking, tax identification number, NIT, fiscal credit for the retention of income tax, and the value-added tax. In addition, it pledges to guarantee the accurate and prompt application or return of fiscal credit and severely sanction those who do not forward the withheld VAT to the treasury . It addition, it pledges to create a special program aimed at the large contributors in order to guarantee that they fully meet their tax obligations.

Compliance With the Fiscal Policy: The government pledges to apply exemplary sanctions to persons who defraud the treasury through different means and also to modernize and strengthen fiscal management, as well as to give priority to social investment expenditures.

V. Final Provisions:

First: The current agreement is part of the Accord for a Firm and Lasting Peace and will be enforced upon the signing of the latter.

Second: Considering that this agreement responds to the interest of Guatemalans, the government will immediately undertake the programming and planning actions that allow it to abide by the investment commitments outlined in it.

Third: In accordance with the Framework Agreement, the UN secretary general is asked to verify compliance with this accord.

Fourth: The current agreement will be given broadest coverage, which is why the cooperation of the news media and teaching centers is requested.

[Dated] 6 May 1996

[Signed] Gustavo Porras Castejon, Raquel Zelaya Rosales, Otto Perez Molina, and Richard Aitkenhead Castillo for the government of the Republic of Guatemala. Pablo Monsanto [Jorge Ismael Soto Garcia], Gaspar Ilom [Rodrigo Asturias Amado], Carlos Gonzalez, and Rolando Moran for the URNG.

Nicaragua

Nicaragua: Cooperation Agreement Signed With Germany

PA1405120596 Managua Sistema Nacional de Television Network in Spanish 0130 GMT 7 May 96

[From the "National Newscast"]

[FBIS Translated Text] Nicaragua and Germany strengthened their ties of friendship even more when they signed a cooperation agreement that will allow private German businessmen to invest in Nicaragua.

The Nicaraguan and German presidents have held meetings with their respective delegations to discuss details of the cooperation agreement, which they signed later. Nicaraguan President Violeta Chamorro gave a heartfelt thanks to the Federal Republic of Germany for the cooperation it has given Nicaragua:

[Begin Chamorro recording] To speak of Germany and its people in our country is to speak of the friendship and cooperation that has been given to various development projects. During these six years of government, the support the Federal Republic of Germany has given us has been vital for the development of our country. The pardoning of a substantial portion of the bilateral debt deserves our special recognition. It was a generous gesture that we will always keep in our hearts.

I would like to express the gratitude of the Nicaraguan people for the great humanitarian spirit and the calling of service of your people, as can be seen at the German Hospital as well as by the contribution given by the German-Nicaraguan School to the integral education of our country's youth. [end recording]

The Nicaraguan president has announced the granting of the Jose Dolores Estrada-Battle of San Jacinto Order in the Grade of Grand Collar to her German counterpart:

[Begin recording] [Chamorro] It is a great honor to bestow the highest distinction my country grants: that is, the Jose Dolores Estrada-Battle of San Jacinto Order in the Grade of Grand Collar, a decoration that symbolizes the friendship and deep gratitude of all Nicaraguans for those people who have won a permanent place in our hearts.

[German President Roman Herzog, in German with superimposed translation into Spanish] You have expressed your gratitude to the German state for the aid, the assistance given to Nicaragua; that is right, because Germany has found in Nicaragua a friendly country in the Central American region to which we have given much assistance, and we have been pleased to do it. I must also point out that I as president have never opposed the aid we have given your country. I would like to tell you that I believe there are many fellow Germans who deserve this decoration more than I do because of their assistance to your country for many years. [end recording]

Herzog also told President Chamorro that he would decorate her with the Order of the Grand Cross, the highest award given by the German Government to outstanding individuals.

Officials from both governments later signed the agreement for the promotion and reciprocal protection of bilateral investments.

Nicaragua: Army Chief Promises Support for Safe Elections

PA1405201896 Managua Nicavision Canal 12 Television Network in Spanish 0400 GMT 7 May 96

[Report by Erica Ramirez; from the "Extravision" newscast]

[FBIS Translated Text] All necessary Air Force, Navy, and Army resources will be used to support the work of the Supreme Electoral Council [CSE] during the electoral campaign. Army Chief General Joaquin Cuadra Lacayo confirmed today.

[Begin Cuadra recording] No candidate will be able to challenge the elections claiming that his supporters were not able to vote due to the violence. We believe this will not happen. We have the capacity to control this. This does not mean, however, that there are no armed groups and that there may not be some isolated incidents of violence. [end recording]

Gen. Cuadra made that promise of support to CSE President Rosa Mar[illegible]a Zelaya Velasquez, who met with the top military commanders. Zelaya confirmed that the electoral councils will be sworn in tomorrow in the 15 municipalities and two special regions.

[Begin Zelaya recording] The CSE unanimously appointed them that way to safeguard political pluralism. This way, the members, secretaries, and alternates, as well as the presidents and their alternates of each departmental council do not belong to the same political party. [end recording]

Tomorrow, the CSE will also decide whether or not to extend the deadline to register the candidates of parties and alliances, since the deadline is 17 May. The request was made to extend the deadline to 31 May.

[Begin Zelaya recording] The electoral timetable should not be affected in any way because, as we are constantly reiterating, the elections are less than six months away, and, unfortunately, we cannot excessively alter the electoral timetable since that could have an impact on the normal course of the elections on 20 October. [end recording]. The CSE once again urged the National Assembly to approve the reforms to the electoral law.

Panama

Panama: Editorial Advises Open Minds on Future of Bases

PA1405223596 Panama City LA ESTRELLA DE PANAMA in Spanish 10 May 96 p a1

[From "LA ESTRELLA Comments"]

[FBIS Translated Text] With regard to the topic of the bases that has again come to the fore, everything seems to indicate the public is split into four well-defined groups: Those who say yes, in any form and no matter how long; those who say no, refusing even to consider any other possibility; the moderates or eclectics from either group who say yes, but with some conditions; and those who say no unless some benefits are obtained.

Despite the polls taken on the matter, it is impossible to know what is the country's prevailing view because so far, nobody knows Washington's specific stance. This thing about "some U.S. military presence beyond 2000" is too vague and unspecific to be considered as a basis for discussion. If we do not know that yet, we can hardly expect to ascertain how most Panamanians would answer a question that has not been posed yet.

Therefore, I believe that our government's position toward the exploratory talks has been simplified and made easier. The government has maintained an attitude of openness to dialogue and receptiveness in order to define and concretize the fundamental issue. The problem must be analyzed with calm and an open mind, rejecting radical stances and outbreaks of passion that tend to confuse matters. What must be taken into consideration above any other consideration are the interests of both the present and the future because the decision made today will hover over us in the future.

Panama: Acting Foreign Minister on Canal, Bases

PA1405200496 Panama City EL PANAMA AMERICA in Spanish 8 May 96 p 5A

[FBIS Translated Text] During his first formal meeting with the national and international media since he was appointed acting foreign minister on 29 April, while Foreign Minister Gabriel Lewis Galindo remains on leave, Panamanian Ambassador Ricardo Alberto Arias talked about a series of topics of national interest, especially Foreign Minister Lewis Galindo's health condition.

The Foreign Minister's Health Is Improving

In this regard, Ambassador Arias gave the media specific details of Foreign Minister Lewis Galindo's pulmonary ailment, which he contracted during a working trip abroad and which primarily affects his breathing ability, a problem that worsened during his recent trip to Europe.

"Foreign Minister Lewis Galindo is currently resting and is undergoing a strict anti-inflammatory treatment, which prevents him from participating in public meetings because the medicine he is taking lowers his defenses, however, the foreign minister continues to work and is recovering exceptionally well. We, therefore, believe he will be back at the Foreign Ministry in a matter of weeks," the Panamanian ambassador to Washington said.

Successful Visit Paid by the Taiwan Economic Affairs Minister

As for the successful visit paid to Panama by the economic affairs minister of Taiwan, P.K. Chiang, which marked the beginning of the construction of buildings for companies that will be installed at the Fort Davis processing zone, the ambassador in charge of the Foreign Ministry said the visit is a sign that positive steps are being taken for the implementation and installation of that export processing zone. It is expected that following the initial operation of the first companies, others will follow in the creation of thousands of jobs for Panamanians, which is the fundamental objective of the Ernesto Perez Balladares administration.

"The basic agreement was already signed and the company that will promote investments in this sector has been formed. Preliminary agreements have already been reached with the first eight or 10 companies for their immediate installation once the agreements are consolidated," Ambassador Arias said optimistically.

Menem's Visit Will Consolidate Trade and Political Relations

As for the visit, which Argentine President Carlos Saul Menem will pay to Panama this week on an invitation made by his Panamanian counterpart, Ernesto Perez Balladares, Ambassador Arias said the meeting between both presidents will consolidate trade and political relations between the two countries and will also lead to the signing of important agreements for the protection of investments, elimination of visa requirements, air travel, and the fight against drug trafficking, among others.

Upcoming OAS Meeting an Important Event

According to the acting foreign minister, the upcoming hemispheric OAS meeting in Panama in early June will be an event of great magnitude. The acting foreign minister said efforts are being made to get word of this event, the 26th General Assembly of the OAS, to reach the Panamanian student sector so that school kids can learn about the importance, significance, and purpose of this important hemispheric meeting. We believe this is the right time to get Panamanian students to learn of the significance of this meeting as it should not be regarded as protocol only.

"A Single Mission, A Single Team," in the Transition Process

Ambassador Arias said the process for the transfer of the canal to Panamanian hands continues to be conducted in a very efficient manner, and relations between U.S. and Panamanian members of the board of directors are first-rate. They are honoring the board of director's slogan, "A single mission, a single team."

The diplomat said that in the transition process work is being done regardless of nationality but with a clear idea of what the transition process is and represents, and of the importance it has for the future of the canal.

Appointment of Canal Administrator, Quite a Process

Arias said that the process of appointing the new Panama Canal administrator is running its normal course and that, after the Panamanian government makes its recommendation, includes a clearance check that every high-level federal official must pass, where aspects of the person's public and private life are investigated. In that regard the Panamanian Government's chosen candidate, Alberto Aleman Zubieta, is practically now at that phase, which is just a few weeks away from conclusion.

Following that phase, the White House then proceeds to propose or nominate Aleman as candidate for Canal administrator to the U.S. Senate. After his ratification, he is officially appointed to the post. This entire process can take an additional two to three months.

The Unavoidable Issue of the U.S. Military Presence

Arias announced that the issue of the continued presence of U.S. military bases in Panama beyond the year 2000 is currently at the stage of internal discussions. It has been reported that an economic study was developed at the request of an opposition political party and distributed to the country's major political parties for analysis and discussion. Arias added that the next step may be for the government to contact the different political groups individually and hold much more extensive meetings on the issue at the national level.

"This is not a party issue but an issue that concerns the government and consequently, also concerns several generations of Panamanians. So we should address it with the utmost responsibility and a very ample vision of the nation's welfare. You can rest assured that Panamanian interests will be the main focus of any process carried out on the field," Arias underscored.

European Tour's Great Significance for the Country

On the recent working tour by President Ernesto Perez Balladares and a delegation of high-ranking officials from the public and private sectors, Arias emphasized that the tour, while seeking additional benefits on the economic front by promoting foreign investments, was also valuable in terms of explaining canal transition matters and the future of the waterway under Panamanian control.

Arias stated that he felt the European Community's strong interest on the matter throughout their visit. The interest was fueled even more with the World Congress on the Panama Canal, slated for September 1997 in Panama, to be cochaired by the presidents of France and the United States.

Ambassador Arias, Career Diplomat

Arias received his bachelor's degree in international relations (B.S.F.S.) from Georgetown University's "Edmond A. Walch" School of International Relations in 1961. He graduated with honors in 1964 from the University of Puerto Rico, obtaining a degree in law (LL.B). He received a master's degree (LL.M) from Yale University's Law School in 1965. Arias is married to Maruca Boyd Paredes and has four children. In 1994, the Perez Balladares administration appointed him as Panamanian ambassador to Washington.

Panama: Perez Balladares, Menem News Conference

PA1305190496 Panama City Sistema de Television Educativa in Spanish 1700 GMT 11 May 96

[News conference by Panamanian President Ernesto Perez Balladares and Argentine President Carlos Menem with unidentified reporters at the Inter-American Trade and Production Council facilities in Panama City; monitored in progress — live]

[FBIS Translated Text] [Perez Balladares] ...which it used to take a ship to enter and leave our ports. Our ports deserve special attention. They deserve a special mention because it is the area in which one can best witness the positive effects of privatization. As a result of the Torrijos-Carter treaties, the ports of Panama City and Colon, the two cities at each extreme of the canal, were turned over to the Republic of Panama. Their inefficiency soon became a bureaucratic burden. Today, after having authorized the building of private ports, the existing ports are a model of efficiency. This makes evident and urgent the need to privatize those ports that are lagging behind.

In the entertainment and recreation field, we have decided to privatize the national casinos and the President Remon Racetrack. The racetrack's only choice is to award an administrative contract to a private company selected through bidding, to take charge of the administration and the betting system.

This private sector administrative formula will also be applied to the national casinos, therefore, we are preparing the documentation that will guarantee impartial and complete honesty. The state will thus increase the benefits it receives from an activity whose profits are intended to fulfill the urgent needs of the nation's poorer citizens.

Perhaps, the most original privatization system is that being evaluated for the prison system. Having a proportionally large share of the public finances, the prison system cannot keep up with the growth of the criminal population. The country needs to increase its capacity to admit, house, and guard the imprisoned population. It is also imperative to seek imaginative formulas that will offer different solutions to the problem. One of these is the privatization of the penitentiary system. A study in this regard is already well advanced. Briefly, it is to adopt and adapt the experience of nations in other latitudes that would allow the state, with fixed numbers evidently based on reasonable calculations, to contract companies which have had experience in other countries, to take over the administration of penal institutions. Of course, these companies would have to offer the basic services needed by a population which, although delinquent, has human rights that should be respected.

We could ask ourselves if the administrative and financial resources of privatization are permanent, or if this is only a temporary, transitory, experiment capable of being quickly replaced by other formulas.

On one hand, let us remember that beginning in 1940, and some 30 years after that, the universal political concept, or a least the currents which prevailed, pointed towards nationalization: The concentration of the economy, detailed planning by the state, including trying to decide and intervene in smaller companies. This stage, though full of great emotions which stirred up the almost infinite enthusiasm of large sectors of the population, gave rise to new concepts. The idea of the liberalization of the market was revitalized. Tariff barriers, within that protectionist system, fell under suspicion, and the function of the state became that of an agent to expedite things, promoting regulation very different from that aggressive and enthusiastic state which saturated the previous period with its presence, institutions, and acquisitions.

Panamanians have faith in the benefits of privatization as an expression of a very pragmatic vision. I will never tire of insisting that national savings are insufficient, therefore, we have to create the conditions needed to attract foreign investments so that the rhythm of economic activity will not outdistance our social needs.

This means some countries were compelled to liquidate enterprises to achieve new capital flows. These enterprises had been placed under government control precisely due to their capacity to produce capital. This is not really paradoxical or contradictory. It is simply a practical view of the current situation, and intended to spare the nation from the complex system of ideologies that so much absorbed many people's attention.

Moreover, the important thing is to never lose the ability to study the possibility of implementing programs for the reduction and eradication of poverty and extreme poverty. Otherwise, we would be encouraging the law of the jungle and this would eventually generate an unusual reaction from the victims or losers; a reaction so explosive that it could result in the destruction of the whole modernization project.

The primary objective should be a combination of growth and equality. It is a matter of applying fundamental public policies based on an individual and collective conviction of life as it really is in which the privatization process can constitute a significant element.

We should also discuss the topic of the resources obtained through the privatizations. There should be no doubts about this. The income received from the privatizations should not lead to an increase in state bureaucracy. It is obvious that it is better put to use if the resources are invested in infrastructure, the benefits of which will reach the entire population much more than if they are allocated for the satisfaction of fair or unfair claims from a specific sector of society.

That is why privatizations are part of a single goal, which is growth. We believe privatizations are useful if they can be made in the context of our current reality and our future. We want an economic center with freedom to create companies without restrictions other than the existing national and international laws, of course.

Our privatization process will continue its course, always guaranteeing its transparency, which is part of a great national challenge. The paths we are opening with these new laws are for everyone, without exception or privileges, so that everyone can use them. The time has come to make a common effort, as the president of the Chamber of Commerce said. The time has come for everyone to push forward toward the same goal with faith and optimism.

I am sure, I am convinced, because we have already seen it, that the visit paid to us by President Carlos Menem and his willingness to share his experiences with us will greatly contribute to this great Panamanian objective. Thank you very much. [applause]

[Unidentified moderator] We will now open a brief question and answer period. The first question is for President Menem. I believe you can answer right there at your table or if you wish you could come to the podium. One of the problems that adversely affect investment are the bureaucratic steps to conduct any commercial, industrial, or agricultural activity. What did you do Mr. President to put an end to the bureaucratic practices that existed in the Argentine Government?

[Menem] The answer is obvious. If so many investments have been made in Argentina that have led to a growth in foreign investments in an impressive manner it is because we have eliminated those bureaucratic obstacles to which you make reference. The capital flowing into Argentina is treated the same way as the capital that is already operating in our country. We have signed agreements to guarantee investments with practically all countries of the world. We did so with Panama yesterday. This capital and its profits may be repatriated at any time with no types of restrictions. That is why there is an unrestricted inflow and outflow of capital from our country. More capital enters the country than what flows out, thank God.

[Moderator] This question is for President Perez Balladares. At the end of your mandate what will be your vision of Panama?

[Perez Balladares] It would take me the rest of the afternoon to explain my vision of Panama. I do not think that is the purpose of your question, therefore, I will be brief. I would like to see a consolidated democracy in complete freedom, with a proper economic growth, and a better distribution of the income than the one we already have. Of course, I am aware of the time limits to achieve those objectives, therefore, my intention is to initiate the country along that path. Having opened up this path so that others can continue in the process of national development will allow me to feel I have complied with my presidency. [applause]

[Moderator] A question for President Menem. What is your government's policy for the creation of free zones as part of the Mercosur's [Common Market of the South] development concept?

[Menem] I believe that in the message I have delivered I have clearly expressed it in an unquestionable manner, I would add in a definite manner. We at Mercosur are opening up the possibilities of expanding free trade zones to the rest of the continent and the world. I said yesterday and I spoke with my friend, the president, about the possibility of establishing a free trade zone between Mercosur and Panama given that Mercosur has an international legal status. It is the same thing we are doing with Chile and what we will be doing with Bolivia. Of course that possibility can be a reality following a consultation with the other Mercosur members, which I am going to do when we meet in June of this year in San Luis Province, Republic of Argentina. [applause]

[Moderator] The following is for you. To attact foreign investment into Argentina, did you adjust, change, or modify the existing labor laws?

[Menem] What was the question?

[Moderator] To attract foreign investment into Argentina...

[Menem, interrupting] There is a special legislation for foreign investment, which is expressed in terms of what I have just explained. There is total flexibility. Foreign capital has... [pauses]. I do not like to speak in those terms about capital. Capital is capital anywhere in the world. It does not come with a little flag from the country of origin. Capital that enters Argentina has the same opportunity, the same rights, and the same obligations as the capital that is already operating in the country.

[Moderator] A question for President Perez Balladares. What new economic policy changes are needed to complete the structural adjustment of the Panamanian economy?

[Perez Balladares] I believe that fortunately, the absolute majority, more than 90 percent, of the changes have already been made. Perhaps, we may need to continue with the process of polishing up a few things, evaluate the behavior of other things, but the major structural changes have already been made and we do not believe we will be making any changes that will be a cause of concern for anyone.

[Moderator] Thank you, Mr. President. The last question is for the Argentine president. Argentina has been successful in attracting foreign capital for the privatization of state enterprises mainly because the domestic market is an interesting business for multinationals. Do you believe that small countries like Panama, with markets that are almost insignificant, can base their policies of privatization of public services without a capability of attracting foreign investors?

[Menem] I can speak for the Argentine experience and model. I do not want to have any type of interference in the political, economic, and social atmosphere of Panama. We are friendly, brother countries. We have the same ambitions, we are working for similar goals, but it will be the Panamanian people and their authorities the ones that will have to decide this. I reiterate, the privatization process in Argentine yielded excellent results. According to what my friend, the Panamanian president has stated, things are also working well here in Panama. I believe markets grow or not depending on the possibilities offered by each country for the influx of the capital whether it be capital that is aimed at contributing to these state modernization process or capital that may be idle but suddenly feels the need to contribute to the transformation process, which the Panamanian Government has implemented in a really interesting, significant, and effective manner.

[Moderator] We thank your excellencies. Ladies and gentlemen we have ended this news conference. We would appreciate it if you remain in your seats until the presidents leave. Thank you. [applause]

Panama: Argentina's Menem Asks Clemency for Cuban Prisoner

PY1305223096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1955 GMT 11 May 96

[FBIS Translated Text] Panama, 11 May (AFP-NA) — Argentine President Carlos Menem today publicly asked for clemency for anti-Castroist Humberto Real Suarez who was condemned to death by the Cuban justice system.

"I have asked the Foreign Ministry to send a wire to (Fidel) Castro asking him to suspend the execution," Menem said during a news conference in Panama, where the Argentine president is on an official visit.

"It is regrettable that there is no democracy, freedom, or human rights in Cuba," Menem said, adding that Castro must democratize the island and "let the people choose its rulers."

Humberto Real, 26, was part of an anti-Castroist armed commando group that entered Cuba in 1994 and killed Communist Party member Arcelio Rodriguez.

Panama: Perez Balladares Terms Menem Visit 'Positive'

PA1405013696 Panama City EL UNIVERSAL DE PANAMA in Spanish 13 May 96 p A1

[Report by Justino Gonzalez, Jr.]

[FBIS Translated Text] President Ernesto Perez Balladares yesterday said that the visit by his counterpart Argentine President Carlos Saul Menem was positive and advanced plans for a Panamanian delegation to travel to that South American country to establish a meat distribution center for the continent in Panama.

Perez Balladares yesterday bid farewell to Menem at Tocumen International Airport, after a 48-hour visit to Panama in which issues of bilateral interest were discussed, especially in the area of free trade.

Perez Balladares reiterated his intention of sending a delegation of Panamanian cattlemen to Argentina to study the current quality of meat products.

This analysis will serve to evaluate the possibility of establishing in Panama a storage and distribution center for the rest of the continent. The president explained that national producers should not worry because Panama is self-sufficient in this area.

He indicated that the storage center would be only for export to other countries of the region.

During the visit of Menem to Panama, seven bilateral agreements were signed to promote and protect investments, avoid double taxation on the exploitation of aircraft in international transportation, and prevent and repress drug trafficking.

Other agreements signed involved reciprocal cooperation regarding health and vegetable quarantine and other accords eliminating the visa requirement for diplomats, consular, and government officials.

On the last day of his official visit to Panama, Argentine President Carlos Saul Menem played a golf match with several Panamanian businessmen in the resort-city of Coronado, and a few hours later he was bidden farewell with all honors at Tocumen International Airport.

Sources close to the golf meet reported that President Menem did very well and played 18 holes on the golf course of Coronado Resort Hotel.

A spokesman for the Embassy stated that the Argentine president played half of the holes from 0800 to 1300, when he stopped playing and left for the capital to meet with his Panamanian colleague Ernesto Perez Balladares.

This is the third visit by foreign presidents to the country this year. Presidents Ernesto Zedillo of Mexico and Alberto Fujimori of Peru preceded Argentina's Menem.

Panama: Students Reject Amnesty Bill, Clash With Police

PA1405234496 Panama City Circuito RPC Radio in Spanish 2031 GMT 14 May 96

[Report by Carlos Somoza Garcia — live]

[FBIS Translated Text] [Somoza] RPC Radio listeners: We are at the University of Panama campus where clashes continue between university students and antiriot forces of the national police. We can inform you, friends, that right now, students are throwing stones and clashing with antiriot police who are throwing tear gas grenades at the university campus. We can further report, friends, that student leaders indicated that some university students have been hit with tear gas grenades and the main glass window of the university hall was broken by a tear gas grenade.

We spoke with student leader Arturo Londono of the Transforming Action and Thought Movement [Movimiento Pensamiento y Accion Transformadora — PAT] movement regarding this protest:

[Begin recording] [Londono] Today the PAT took the initiative of going into the streets to reject the so-called amnesty bill that the National Legislative Assembly intends to approve in a second debate over the next few days. The student movement has always rejected the positions taken by the current government regarding this amnesty bill because this is an attempt to pardon torturers and criminals of the previous regime. Therefore, this movement has decisively gone into the streets today. In addition, we intend to hold more intense demonstrations later on because this is exactly what the national university student movement should do.

[Somoza] How many other groups, in addition to the PAT, are participating in this action?

[Londono] Well, look. Right now, only our organization alone with all of the university students have engaged in this struggle. However, ours is not necessarily the only organization that has engaged in this struggle. Other student organizations have joined us under the PAT's leadership.

[Somoza] The national police have taken various actions. You blocked streets and returned to the university campus. What other actions are you planning to undertake since police are throwing tear gas grenades and you are throwing some objects at them?

[Londono] Well, look. It is clear that these individuals started the violence we are experiencing right now. The proriot [promotines] units, who are not antiriot units, have come next university grounds in order to control students with their customary brutality and not peacefully.

[Somoza] Will you allow traffic on this highway?

[Londono] We will do so when the current government becomes politically mature enough to reject this amnesty bill.

[Somoza] Have university authorities contacted you?

[Londono] The university authorities have not taken any action regarding the current violent repression at the University of Panama. We know very well that many of the university administrative staff are active PRD [Democratic Revolutionary Party] members, and therefore we know their position. Well, our forces are open to dialogue. We will wait to see what happens today and the next few days. [end recording]

[Somoza] It should be noted, RPC Radio listeners, that in fact classes have been suspended at the University of Panama because of the protest led by the PAT movement of the School of Humanities. Right now, clashes continue with university students. You might hear in the background the sound of tear gas grenades that antiriot police are shooting at the University of Panama. This is our report, thus far. The University of Panama has suspended its activities because of this situation. Some university students have left and returned home while others remain here on campus to protest against the amnesty bill, which a special commission of the National Legislative Assembly is examining, which will be debated on 20 May.

Argentina

Argentina: Menem News Conference on Arms Deal

PY1505021096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2249 GMT 14 May 96

[FBIS Translated Text] Buenos Aires, 14 May (NA) — President Carlos Menem emphasized this afternoon that the scandal surrounding the arms sales [to Ecuador] "does not tarnish in the least" Argentina's image abroad. He noted that he will not ask Defense Minister Oscar Camilion to tender his resignation "before confirming the incidents being reported.

The president emphasized: "Unless I receive confirmation that Argentine arms were actually shipped to Ecuador and Croatia, we will wait for the outcome of the court investigation" before making any decision on the defense minister's stability. Menem emphasized: "It would be a very poor practice to ask a minister to tender his resignation over some type of charges. If we use this criterion, not a single minister would be left."

Menem said: "In this case, I want the evidence and the outcome of the investigations that are currently being conducted." The president emphasized: "The Peruvians do not have any evidence of Argentine arms ending up in Ecuador and the Ecuadorans did not make any remarks on this point."

Menem made these remarks during an impromptu news conference at the Government House press room this afternoon. At the same time, Camilion was explaining this issue in the Senate.

The president admitted that he learned "through the newspapers" that Peruvian President Alberto Fujimori had sent him a personal letter that Peruvian Congress President Martha Gladys Chavez Cossio de Ocampo will hand over to him at 1050 [1350 GMT] on 15 May. Menem added: "I knew that an envoy of Fujimori would come, carrying a letter. I will read the letter to see how I can respond to him."

The president said he also does not know whether Fujimori "raises" the issue involving the alleged Argentine arms sales to Ecuador in that letter.

Concerning the deterioration of Argentina's image abroad after this scandal, Menem responded: "There is no such deterioration." The president pointed out: "It is also not accurate that Fujimori is annoyed. I have been talking to him and at no time did he express any type of annoyance to me."

Menem blamed everything on "a fabrication by the opposition and by some media, not all the media."

The president confirmed: "There are no problems whatsoever with Peru or Ecuador, let alone Croatia. There is not the slightest problem with the United States." Menem said he is unaware of the existence of a U.S. Government report, expressing concern over Argentine arms sales to Croatia. He said: "I have not received it. I am unaware of any U.S. Government complaint. I have only received a letter from President (Bill) Clinton. The letter does not exactly deal with this issue, but on the patents issue. I have not received anything else."

The president emphasized: "I totally rule out the possibility of this issue having international repercussions."

Argentina: Defense Minister Denounces 'Smear' Campaign

PY1505032096 Buenos Aires TELAM in Spanish 2358 GMT 14 May 96

[FBIS Translated Text] Buenos Aires, 14 May (TELAM) — Defense Minister Oscar Camilion today characterized the group of people who accuse the government for the alleged shipment of arms to Ecuador as "foolish." The minister said that there is a "campaign" to smear the Argentine state.

"The government did not know," the minister insisted when answering a question by the opposition. Camilion pointed out that the smear campaign originated in "one media," emphatically warning that "it is rationally foolish to think about the complicity" of Argentine authorities. Camilion expressed hopes that the investigation will "rapidly" clarify the situation, stressing that "the rotting parts" surrounding the case "will be wiped out."

Camilion testified at a hearing of the Senate Defense Committee, but refused to give the "names" of the people who are allegedly responsible, warning that it would be "improper" to do that when a legal investigation is under way. The defense minister accepted that "it is perfectly possible that the government was deceived" because contraband "has always being clandestine." Camilion said that "it is hard to believe that the government acted as an accomplice because the operation was carried out in a very awkward way."

Camilion answered with strong words to Radical [Radical Civic Union, UCR] Senator Antonio Berhonagaray, who asked him "to assume his political responsibility before the [illegible]entine and Peruvian history" and "do what we all expect," referring to his eventual resignation. "I do not feel like I am in the position to accept lessons regarding my links with the Republic of Peru," Camilion answered, stressing that Argentina "cannot feel ashamed of its relations with this country because of the action of a group of criminals."

With respect to the request for his resignation Camilion said without losing his composure: "I think we should wait" and stressed that he was not a "lone ranger because I work in a team."

UCR Senator Leopoldo Moreau said that the government knew of the "triangulation" that made possible the deviation of the alleged shipment of arms to Ecuador. He also said that "he believed that once more the responsibility of a public servant was going to end in impunity."

Moreau and Justicialist Party [PJ] Senator Cristina Fernandez de Kirchner suggested the need of the minister's resignation while Graciela Fernandez Meijide, of the Frepaso [Front for a Country in Solidarity], chose to speak about the theory of "objective responsibilities."

Earlier Camilion had explained that "all necessary requisites were fulfilled" for the operation of the sale of arms to Venezuela, but making clear that, later, officials found out "that all the documents were false, which provoked the cancellation of the rest of the operation."

Camilion gave his report at the Senate Reading Room. The opposition questioned the method used by the minister to answer an extensive request for information containing 60 questions point by point.

"Let us respect what we agreed to," PJ Senator Eduardo Vaca, president of the defense committee, demanded. Meanwhile, La Rioja Senator Jorge Yoma accused opposition senators of being "more interested in making speeches for television viewers than in listening to the minister."

Camilion continued with his explanations after the exchange between senators. He did not rule out the theory of "an agreement" between companies at the beginning of the war at the Condor Mt. ranges between Peru and Ecuador in 1995 leaving the Argentine Government out. The minister said that the sale of arms to Venezuela, which did not need to meet any special requirement, was authorized long before the war between Peru and Ecuador, because "we would have suspected something" had the permission been granted during the conflict.

Camilion explained that the intervention of the defense minister in the case of the arms shipment to Venezuela "was normal," adding that arms sales decrees "allow a margin of flexibility to adjust the mechanisms of supply and demand."

Argentina: 'Secret Report' on Arms Sales Examined

PY1405162596 Buenos Aires CLARIN in Spanish 12 May 96 p 6

["Exclusive" report by Luis Garasino: "The Secrets of the Investigation the Government Set Into Motion"]

[FBIS Translated Text] A **secret report** drafted on 9 May by Rear Admiral Jose Agustin Reilly, judge advocate general of the Armed Forces, states that **the leadership of the General Directorate of Military Industries (DGFM)** is **primarily accountable** for the irregularities committed in the sale of Argentine weapons to Ecuador and Croatia. The report adds that **investigations must be furthered within the Defense Ministry, the Foreign Ministry, and the Army.**

President Carlos Menem ordered on 20 April that an investigation be conducted to determine **administrative responsibilities and to impose disciplinary actions** concerning the scandal. Menem ordered Defense Minister Oscar Camilion to lead the investigation. For his part, Camilion assigned the task to Rear Adm. Reilly.

At 1100 on 9 May, Camilion **urged** Reilly to submit his report. Hence, Reilly had to prepare a preliminary report, to which CLARIN has had access.

The report concludes that DGFM officials serving under the command of Luis Sarlenga, who is facing criminal charges, committed **administrative irregularities and failed to exercise adequate controls** in the process involving the alleged sale of weapons to Venezuela. Those weapons ultimately reached Ecuador and Croatia, two countries which had been affected by a **military embargo** that precluded them from purchasing arms.

Defense

The document is divided into **five investigated areas.** The first one concerns a document signed by Sarlenga **designating the Hayton Trade company** as representative of the DGFM in Venezuela.

According to the report, the former DGFM trustee "admits having signed the document as well as **having discussed it** with Dr. Etchechoury." The report was thus alluding to **the defense planning secretary.**

In light of this, the document says, the following courses of action should be taken:

— "To determine **the scope of the consultation** that Sarlenga admitted to having had with Etchechoury.

— "To establish whether this was **an individual action** by Sarlenga or by **a group interested in concealing the negotiations** that were under way."

Sarlenga **is the only one facing charges before a court.** At the time the operation was implemented, Etchechoury was Sarlenga's immediate supervisor.

Army

Regarding the materiel to be supplied, the report states that the order consisted of **"new, unused materiel."** According to Reilly, a note Sarlenga sent to the DGFM executive committee "shows that **from the outset, the operation entailed the sale of materiel in the possession of the Argentine Army."**

Reilly's preliminary report thus notes that the following ought to be investigated:

— "The conditions under which the Argentine Army **delivered** the materiel, and **who authorized it.**

— "Whether the **reimbursement** received from Customs concerning the export of new materiel would have been equivalent to that of used materiel."

Foreign Ministry

Reilly's report also includes **serious objections** to the role played in the operation by the Foreign Ministry.

According to the report, Rogelio Pfirter, who was then under secretary for foreign policy and is at present **Argentine ambassador to London**, on 6 December 1994 informed Defense Under Secretary Jose Torzillo that "**there was no political objection** whatsoever to the proposed operation."

Pfirter added that, in order **not to delay the issuance of the decree ordering the sale**, action should be taken to inform the Foreign Ministry "**through the appropriate channels** as soon as possible" whenever the certificate of final recipient that was allegedly issued by the Venezuelan authorities is received.

Thus, in Reilly's opinion, the following ought to be investigated:

— "Who supplied, and who at the Foreign Ministry received, the required information?

— **"Whether the Foreign Ministry verified the information through its own channels."**

This means that had the Foreign Ministry conducted an inquiry in Venezuela, it would have found out that the Venezuelan military **had not placed any order for purchasing arms.**

The report also cracks down on the members of the **interministerial control committee** consisting of officials of the Foreign Ministry, Economy Ministry, and Defense Ministry. According to Reilly, on 12 September 1994 that team of officials **issued an authorization for negotiations to be initiated and concluded** with Hayton Trade.

The report adds that, according to the appropriate inquests, "there should be an alert to the fact that **there is no evidence existing in the case files hinting at the fact that this commission had seen authentic documents** that would allow it to know the actual final destination of the war materiel, the sale of which the commission was authorizing." The Menem administration still claims that the company Hayton Trade **"led it up the garden path."**

The opinion of the judge advocate general raised **doubts about the financial aspect** of this transaction, since he contends that it has not yet been determined **how many weapons and how much war materiel "were actually exported"** in the final part of such transaction. Consequently, "it has not yet been determined whether the **sums of money** the DGFM claims to have received **exactly correspond to the goods sold.**" Neither has it been established whether the **commission** charged by the company Hayton Trade is the correct one.

The Protagonists

Who is who in the investigation the Menem administration ordered:

Luis Sarlenga: former DGFM trustee considered the **main person responsible** for the irregularities in the arms deal. The judge advocate general's opinion coincides with the ruling issued by the federal courts, which **have already indicted Sarlenga.**

Edberto Gonzalez de la Vega: This colonel was Sarlenga's right-hand man when he held the position of DGFM business coordination director. Gonzalez de la Vega is included on the list of suspects, since he was one of the top-ranking officials within the DGFM.

Guillermo Etchechoury: Defense Ministry planning secretary. Sarlenga claims that **he alerted Etchechoury** to the decision to grant the representation of DGFM to Hayton Trade. The official report recommends **confirming** this possibility.

Rogelio Pfirter: Former Foreign Ministry foreign policy under secretary and current Argentine ambassador to Britain. He did not voice any objections to selling weapons to Venezuela and **was too hasty in closing the deal** without verifying whether Venezuela was indeed **interested** in purchasing Argentine weapons.

Rear Admiral Jose Reilly: Judge advocate general, **in charge of drafting the report** commissioned by President [Carlos] Menem. He exaggerated as regards the responsibilities laid on DGFM officials, but recommended that **other areas of the government** be investigated.

Oscar Camilion: Defense minister, who set into motion this internal inquest. According to the judge advocate general's opinion, **primary liability** for the controversial arms deal **does not fall on the defense minister.** Still, this transaction proves that **there was a lack of control** in the Defense Ministry.

Camilion's Move

In the letter he sent on 8 May to Judge Jorge Urso — who is hearing the case of the third-party sale of Argentine weapons to Croatia and Ecuador — the defense minister stated that "if illegal actions were committed, this **cannot be objectively attributed** to the undersigned, in his capacity as defense minister."

Commenting on whether the Air Force chief of staff had alerted him to the fact that the weapons were being diverted from their final destination; namely, Venezuela, Camilion states: "Brigadier General Juan Daniel Paulik only talked to me **on the evening** (this was underlined in said letter) of 18 February 1995. Camilion goes on to say: "Brig. Paulik stated that there were allegations that the consignment of weapons [bound for Venezuela] from Buenos Aires might have been sent to Ecuador **on the morning of that same day** (this was also underlined in said letter), to which the undersigned replied that he should go by the book."

Camilion asserts in his letter that "for three days," he had been "fully engrossed in the next stage of the war (between Ecuador and Peru) rather than in a war that had already ended" and in the preparation of the mission of the military observers, who were going to be sent to the area under contention.

The letter of the defense minister insists on the legality of the steps taken before issuing the decree authorizing the sale of weapons [to Venezuela]. Camilion also underscores the fact that a Federal Appellate Court **dismissed the charges** leveled against the members of the commission overseeing this sale.

Argentina: Article on Political Situation 'Gone Awry'

PY1405222296 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1758 GMT 11 May 96

[Article by Eugenio Paillet]

[FBIS Translated Text] Buenos Aires, 11 May (NA) — During his one-week tour of Central America, the president must have surmised that his life was not a bed of roses. When he left he was sure of one thing: The political scenario in his country has gone awry beyond expectations. The scandal caused by the illegal sale of arms to Ecuador and Croatia is rapidly becoming an international blunder of unforeseeable magnitude for the country.

The crude reality of the video which showed the drama of the people's hunger in poor villages of Rosario [which contained footage of poor people supposedly eating cats] is a stab in the heart of a state that continues to spend too much on the wrong things.

To top it all, provincial governors are threatening to rebel against the inequities of a national economic policy that overwhelms them and want to return to the "[former President Raul] Alfonsin Law" for the distribution of federal revenue funds.

Then there are the paradoxes. They can only happen to a government that keeps insisting on the marvels of the model implemented by [Finance Minister] Domingo Cavallo while leaving the poor unprotected. There are millions of poor people who are pushed aside by the systematic adjustment. Among the oddities, we cite the following: Menem spoke about peace in Central America while faced with an avalanche of evidence on the illegal sale of Argentine weapons to countries at war — like Ecuador and Croatia. At best, the government appears to have a very grave responsibility, by omission if not by its actions. Another paradox: Menem's White Helmets feed the hungry in Rwanda and Palestine, but these humanitarian services are by no means available to the people in Rosario, Chaco, and Formosa, who eat any domestic animal at hand in order to survive. The final slap in the face for those poor people was given by Octavio Frigerio, head of the White Helmets. He washed his hands of it without blushing and said: "It is not my function."

But it is better to go slow. Within the scandal of the illegal sale of arms, the government seems to be clinging to a single strategy, for lack of better solutions: Wait for the courts to issue a decision and then start lopping off heads. Meanwhile, local and foreign reportage increasingly implicates the higher echelons of the Menem administration in the deal. And this is exactly the complaint of some wise voices within the government lately. As someone in the second level at Government House said: "We cannot stop cabinet work for a month trying to make the front page. Obviously some very grave mistakes were made." Everything points to [Defense Minister] Oscar Camilion. They think a timely separation of the minister would have spared the government from swallowing a pill that will be hard to digest. The sources argued: "He cannot wait to be asked to resign: He knows this is not the boss's style."

What no one dares discuss is the president's "time" to make a decision which at least on this occasion is questioned by many officials. Menem does not act under pressure or at the request of newspapers, that is true. But his stubbornness, on top of the efforts by Camilion "not to please" the daily that is struggling to force his resignation — the daily of which he was a member years ago and which apparently still carries some of his unpaid debts, which the daily is now trying to collect — is endangering the calm of the entire government.

The president should take note — if he has not yet done so — of the damage that results from maintaining a conflict which only provokes losses — no matter how one looks at it — to our international image. An indication of this reality is the deterioration of our relations with Peru, which has been offended by the friend to whom it offered its soldiers without hesitation during the 1982 Malvinas war. A detail which is difficult to prove, if true, apparently confirms this impression. It is being said that Menem planned to leave for Central America at 1230 on 5 May with the secret purpose of making a technical stopover at the Jorge Chaves Airport in Lima, Peru. Menem allegedly wanted the Foreign Ministry to arrange a meeting with [Peruvian President] Alberto Fujimori, alone, so he could personally explain that the "treason" denounced by Peruvian legislators did not exist. Fujimori seemingly did not show Menem's willingness to attend this meeting. And that is why the Tango 01 presidential plane left Ezeiza airport 12 hours later. The initial haste to depart did not make sense any more.

The government made a curious interpretation of Rosario's hunger case. Government officials saw, above anything else, an opposition political trap to besmirch the ruling party prior to the mayoral elections on 30 May in Buenos Aires. There are indications that Menem even gave the order from El Salvador to turn on the red alert. Government officials do not forget that the defeat at the election for constituent members in the district came in the aftermath of the PAMI [Comprehensive Medical Assistance Plan] scandal that ended with the dismissal of Matilde Menendez. She was forced to resign from her post at the head of the list of constituent members five days before the election, and as head of PAMI 48 hours later.

This seems to be what Minister Carlos Corach had in mind when he shoved the responsibility for the people in the shantytowns having to eat cats and turtles onto Rosario Mayor Hermes Binner. "He is a member of Frepaso [Front for a Country in Solidarity], not of our party," Corach said as if Rosario were a town in Africa. Not even Eduardo Amadeo, perhaps the only government official truly preoccupied with solving the problems of the poor people, could escape the order of preventing further political damage to the president. Amadeo ended up by blaming Rosario City Hall for the way it handled the national assistance program.

In the midst of all this turmoil, provincial governors visited Buenos Aires to complain over the delay by the central government over remitting to their provinces their share of the Federal Revenue Sharing Fund and to express opposition to the idea of eliminating provincial taxes by mid year, as [Economy Minister Domingo] Cavallo wants, unless other similar revenues are guaranteed.

Lost in a scenario that is enmeshed in the previous two problems, the governors now threaten to oppose the central government by not approving a new Federal Revenue Sharing Law that does not fulfill their demands. Worse still; some governors want to return to the "Alfonsin Law," which will continue until a new law is approved. This law allocated 54 percent of provincial taxes to the provinces and 46 percent for the nation.

As one of them said: "We will resort to the Supreme Court if Cavallo opposes it. Then we will see if the judges ignore the voices of 24 governors."

Another governor, with a typically provincial sense of humor, quipped: "Between midnight and eating cats for breakfast, the devil will load the guns that the governors will fire." [a twisted version of a well-known local saying]

What a thing to say.

Argentina: Covert Agent Unveils ORP Activities

PY1005170096 Buenos Aires NOTICIAS in Spanish 20 Apr 96 pp 32-36

["Intelligence Services — Part Two" by Edi Zunino]

[FBIS Translated Text] The Berazategui coastal area bordering Quilmes [Buenos Aires suburb] has a strange environment for those living in the large urban center. It is located only 2 km from the Buenos Aires-La Plata Highway, at the end of a dirt road, and it is covered with a thick jungle. On the left, the jungle breaks near the River Plate, whose uncontainable force has built real natural walls with the sandy mud of its bed. Mosquitoes attack you mercilessly here. All sorts of pests live in this environment, which is apt for testing physical risk and — as we will see later — for certain clandestine exercises.

"Members of the People's Revolutionary Organization [ORP] used to carry out military training and shooting practices here," Francisco Benzi, 43, and 1.90 meters tall, said.

The man, who one week ago came to NOTICIAS to reveal his identity as an infiltrated police "informer" in the enigmatic ORP, carries a 22 caliber pistol hanging from his belt. "Do you see? It is a natural shooting range. The coastal slopes seem to have been prepared for shooting practices on purpose here. Here you can practice urban and rural combat, and the jungle is ideal for training in jungle fighting," Benzi explains with a coldness that freezes one's bones.

Benzi also pointed out a second area, on the same dirt road, but on the other side of the highway, that was also chosen for the same purpose by the group that claimed responsibility for the attack against Jorge Berges, 53. The field is filled with thick grass and garbage. Poor people usually look for something of value, or food, in this area. The area is tragic in two periods: the past and the present.

"This place was used until 1990 or 1991, the highway did not exist then. People trained here," Benzi recalls, reenacting with his own movements the alleged guerrilla training exercises. He acts naturally, like a person who knows what he is talking about. "I remember because I participated in them on several occasions," Benzi says.

The policeman. Who is, in fact, this corpulent and bearded man?

The debate on Francisco Benzi's true identity occupied an important space in the media, the Federal Police, the Justice Department, and leftist parties involved in his story from the very moment Benzi — alias "Quinque," alias "El Gato," alias "Jorge" — made public his version on the ORP and the attack against Berges.

The department headed by Federal Police Superintendent Adrian Pelacchi, 54, first denied, then downplayed, and finally recognized Benzi's relation with the police intelligence department, but placing it way back in time — "between 16 April 1990 and the same month of 1991" — and downplaying Benzi's importance by characterizing him merely as an "informer" [buchon].

The Federal Police admitted that Benzi made contact with the office of Constitutional Order Protection (POC, the organization for which the double agent said he worked) on 11 April, while he was being interviewed by NOTICIAS.

At noon that day, an official from this organization met with him at the bar "The 33 Billiards" and both agreed to a second meeting that was never held. "The problem was that I worked for POC until 1230 on Thursday," Benzi explains.

The police refutal of this point was badly shaken during a television program conducted by Daniel Hadad, 35, on 15 April. On that occasion Police Superintendent Luis Santiago Fernandez, police precincts director general, said: "Benzi had relations (with the police) during four to five years before leaving the group of informers."

This type of police statement would only confirm what this strange character said. His story, however, has several loose ends. Here are Benzi's answers:

[NOTICIAS] The police deny the existence of police superintendent Jorge Ardisain and Principal Officer Hugo Martinez, the alleged POC bosses that you said were your "superiors" until 11 April. How do you explain this contradiction?

[Benzi] Perhaps they introduced themselves to me with a double identity, but I can describe them perfectly. Ardisain is 1.9 meters high, he has an athletic figure, white hair, clear eyes and is very elegant. He told me he was assigned to social work before returning to POC. Pelacchi has very good relations with him, the three of us had meetings together. At the beginning Martinez said he was called Alvarez. I remember the name Martinez because on one occasion I was visiting POC and when he signed the permit allowing me to leave the building he said: "Martinez." He is about 1.75. He is slightly fat. He is white, wears glasses, and is almost bald.

The Leftist. Recounting his story, Benzi emphasized that he began his leftist membership in the 1970's with the Maoist group Communist Vanguard. He also indicated that — in the 1980's already — he approached the Intransigent Party [PI] and subsequently again contacted his old comrades who had adopted the name of Liberation Party (PL).

Various PI sources remember Benzi's passage through [longstanding PI leader] Oscar Alende's ranks (in 1987) and his Revolutionary Intransigence Movement (MIR) and Intransigent Worker Youth memberships. Everyone agrees that Benzi "was a strange person, somewhat messianic, who used to wear fatigues" and who left the PI in 1987. The sources, including Alejandro Barthe, 38, the Intransigent Youth Party president at that time, confided: "We suspected him of being an informer."

PL members actually are the ones who want to cast Benzi's shadow out. PL Secretary General Sergio Ortiz, 45, emphasizes: "This 'informer' has never had any relationship with our party." Yet, Ortiz emphasizes that he knows Benzi. Ortiz recounts: "It was in 1987, during a meeting in our offices on Alsina Street. We were forming a movement named Revolutionaries' Union [Union de los Revolucionarios] (UNIR) and he participated as a MIR leader. But that attempt to achieve a union failed and I never saw him again."

In his account, Benzi emphasized that Mario Geller, who headed a PL split in April 1990 to form the

Marxist-Leninist Liberation Party [Partido de la Liberacion-Marxista Leninista] (PL-ML), actually is the ORP leader. While saying that he is not acquainted with Geller's link with the ORP, Ortiz pointed out an incongruity: "Benzi emphasized that he held an underground meeting with Geller two years ago. But Geller reported in November 1990 that Benzi acted as an informer in the La Boca school action in which Vanessa Perinelli and Domingo Bonomi, alias 'Federico,' who was a PL-ML member, were killed. Geller made this report in the PL-ML newspaper VENCEREMOS. How come that Geller maintained links with someone whom he had accused of being an informer?"

The question was again posed to Benzi, during a recess of a visit to the alleged ORP training ground. Benzi responded: "I have no evidence that Geller had said that, but I wish he did. First, he would be recognizing the La Boca action. Second, he would free me from the necessity of confirming that I am a member of the intelligence service. Third, he would also free me from the necessity of confirming my relationship with the PL-ML and the ORP. Fourth, I was against those criminal actions and I reported them. I have always sided with the courts."

A Painted Face? So far, Francisco Benzi's capacity as double agent has been proven. Nevertheless, the time span during which his capacity as a double agent was effective remains unclear.

The reasons that prompted Francisco Benzi to openly tell his story also remain unclear.

Right after NOTICIAS published his initial remarks on 13 April, Benzi was summoned by Judge Ariel Gonzalez Elicabe, 54, who is hearing the case involving the shooting of [former police doctor Jorge] Berges. The judge interrogated Benzi for six hours. During his interrogatory, Benzi also supplied elements for preparing five composite pictures. Gonzalez Elicabe downplays the importance of Benzi's testimony. Court sources attribute Gonzalez Elicabe's unbelief to the fact that "the judge knows for certain that Benzi sought fame as part of an operation by some intelligence service." The court sources' belief is based on the fact that "many of Benzi's remarks are lies and that Benzi is hiding information that he knows very well."

Criminal and Correctional Court No. 4 of Quilmes became involved in collecting Francisco Benzi's legal records. He is involved in six criminal cases, including fraud, swindling, threats, and assaults. One of these criminal cases involves the robbery of a checkbook belonging to Oscar Mingote, 64, former Florencio Varela mayor under the military dictatorship, former Florencio Varela mayoral candidate, former Buenos Aires constituent assembly member, and current MODIN [Movement for Independence and Dignity] provincial deputy. Following this data, the report on Benzi's links with the painted faces [military rebels operating during the Alfonsin and Menem administrations] began circulating.

Various sources from the movement headed by Aldo Rico, 53, agreed in describing Benzi as Mingote's old "coworker and public relations chief." Mingote confirmed this report: "Yes, this boy cooperated with us for six months; he was involved in drawing up communiques and taking them to the radios. He was an intelligent guy who was used to listening rather than talking. When my checkbooks disappeared, I argued with him and he left."

Benzi is also being remembered in Florencio Varela as an announcer at the MODIN rallies and a person linked with another current provincial deputy, Julio Carreto, a former painted face. Carreto gave tit for tat: "Ask Mingote. I just knew the boy was a journalist." Benzi claims: "Mingote gave me the checks as payment for blue paint that I sold to him for the campaign [not further specified]. I did not steal anything from him. Granted, I worked for him as an announcer in two rallies in 1993, but our meetings were merely of a commercial nature."

The Hypotheses. Did Benzi contact the painted faces movement [carapintadismo] while he was operating as a police who infiltrated the ORP? Is he actually a multiple intelligence agent [multiple agente de inteligencia] who sells his reports to the highest bidder?

Benzi received a strange visit at 1545 on 15 April in his house in Florencio Varela. While NOTICIAS was attempting to again get in touch with the leading actor of this scheme, his wife reported on the phone: "The Army came to pick him up and took him away."

Argentine Navy sources confided that Benzi's sudden entry in the scene represents "a Navy intelligence operation." The reason? The Navy sources said: "The police are not playing fair and permitted the graffiti painted against Berges at the Naval Hospital."

[NOTICIAS] Is your public appearance aimed at harming the federal police or Federal Police Superintendent Pelacchi?

[Benzi] It is not worth for me to engage in explaining that this is inaccurate. As far as Pelacchi is concerned, I believe he is a good officer and an ambitious person who achieved his goal.

[NOTICIAS] Why did Army personnel go to your house on 15 April to get you?

[Benzi] I will not answer this question.

[NOTICIAS] Is this a way of responding in the affirmative?

[Benzi] I will not answer this question.

[NOTICIAS] Are you working for another intelligence service?

[Benzi] No...

"I am condemned."

Among the uncertainties involving the Berges case there is at least one certain thing: Benzi was a member of ORP. This is what he asserts, what the police confirms, and what the organization has yet to deny.

[NOTICIAS] How many cells does ORP have?

[Benzi] It is impossible to know, but today they should only have 10 trained combatants and some 30 first level military.

[NOTICIAS] How is the ORP organized internally?

[Benzi] The "orga" [organization] depends directly from the PL-ML Central Committee, which is made up of seven members. The party does not discuss military issues. The matter is discussed on a person-to-person basis and never in front of others. During plenary sessions members refer to military problems using the code word "cultural."

[NOTICIAS] Who are the organization's leaders?

[Benzi] Mario Geller is one of them. Silvia is another. She is the widow of a fallen leader. Other members are her sister-in-law Laly and her brother, a photographer. He uses the aliases Hector or Tato. The others are "Balded" Casani, Gabriel, and Miguel Angel, who has already died. (Bensi says that he does not have any additional information on these names).

[NOTICIAS] Where does the ORP have the largest presence?

[Benzi] The capital, its urban areas, and Rosario. These are firm areas. In other times we used to have very strong representations in Tierra del Fuego, Salta, and Jujuy. But the organization has deteriorated substantially in these areas lately.

[NOTICIAS] During a previous interview you said that at one point there were plans to blow up the Dock Sud distillery...

[Benzi] We were conducting an intelligence operation; I took pictures and films and contacted two company employees whose names I will not reveal. But the plan could not be carried out because our contacts at the Iraqi Embassy failed to provide the logistic elements, arms, and explosives.

[NOTICIAS] Weapons from Iraq?

[Benzi] People were desperate trying to find support.

[NOTICIAS] What did the ORP military training involve?

[Benzi] The basic thing was the contact with weapons, to lose fear of them, differentiate them. Then to put them to work.

[NOTICIAS] What type of weapons does the ORP have?

[Benzi] A great variety of pistols and revolvers. Explosives were homemade. The idea was to get explosives that were reportedly going to be sent from Chile by the Manuel Rodriguez Patriotic Front.

[NOTICIAS] What did the training involve?

[Benzi] Shooting exercises. There are four basic positions: standing, exposed, standing and shooting from the hip, and kneeling.

[NOTICIAS] Did you participate in any training?

[Benzi] Yes. I participated in six training sessions with a dozen individuals.

[NOTICIAS] Do you think you are condemned to death now that your relations with intelligence have become public?

[Benzi] I have no doubt about it.

Bolivia

Bolivia: Armed Forces Allege 'Extremists' Plot Against Army

PY1505002396 Madrid EFE in Spanish
2239 GMT 13 May 96

[FBIS Translated Text] La Paz, 13 May (EFE) — The Bolivian Armed Forces Command's allegations about a conspiracy instigated by extremist political organizations against the Bolivian Army today elicited loud protests from opposition deputies, who deem that the allegations are false and only reflect the personal position of General Reynaldo Caceres [commander in chief of the Armed Forces].

The communique released by the Office of the Commander in Chief of the Armed Forces over the weekend charges that "extremist political organizations" allied to "subversive groups," which have been detected and dismantled by the Armed Forces, are intent on damaging the Army's image.

The Office of the Commander in Chief of the Armed Forces moreover says that it will adopt legal measures to prevent "extremists who obey foreign subversive groups from continuing furthering reckless actions" and plotting against the Armed Forces.

These allegations gave rise to angry protests by opposition congressmen, who observed that the allegations in question are false and that they only reflect a personal, rather than the Armed Forces' opinion.

Hugo Carvajal, bloc leader of the Movement of the Revolutionary Left [MIR] in the Chamber of Deputies, criticized Gen. Caceres for issuing a communique in which "he intends to bring discredit on opposition political parties" by accusing them of joining forces with extremist groups to conspire against the Army.

Carvajal explained that the position adopted by the Armed Forces commander in chief is typical of somebody having his rank and can only be compared with the behavior assumed by commanders under military regimes. Carvajal added that Gen. Caceres "is returning a favor with another," since he is politically paying back for the position he was given."

The MIR bloc leader further stated that the position adopted by the Armed Forces commander in chief shows that he is "at the beck and call" of the executive branch and that the communique is not indicative of the Armed Forces' official stance.

Carvajal asserted: "We do not know what is behind these allegations, but Gen. Caceres should set a good example for his colleagues when he prohibits them from making political remarks instead of making allegations of this sort, which only prove the government's subjection of the Armed Forces."

Christian Democratic Party Deputy Benjamin Miguel played down the legal validity of the allegations voiced by the Office of the Armed Forces Commander in Chief and pointed out that, in order that these allegations may be acknowledged as such, they must be accompanied by an identification of the alleged responsible, something which the commander in chief of the Armed Forces has not done.

Miguel declared that "the verbal terrorism" evinced by the communique is "more serious that the allegations made" and may lead to groundless accusations against some political circles and may affect the democratic system of government.

Deputies Fernando Keiffer, from Nationalist Democratic Action (ADN); Ricardo Paz, form Conscience of the Fatherland (Condepa); and Guido Riveros from the MIR, were of one mind about the need to request that Gen. Caceres and Bolivian Defense Minister Jorge Otasevic appear before the Chamber of Deputies to clear up the arguments underpinning such allegations.

This notwithstanding, the advisability of such a move will be analyzed in the coming hours so that a petition can be submitted to the Congress committee, which is going to sit during this week's Congress recess.

Bolivia: Visa, Passport Requirements With Paraguay Eliminated

PY1405170296 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 14 May 96

[FBIS Translated Excerpt] Citizens from Bolivia and Paraguay will now be able to enter either country and obtain permission for three months' residence with the sole presentation of their identity card thanks to the elimination of passport requirements between both countries. This decision was made in the course of the Seventh Mixed Meeting held in Asuncion attended by Acting Foreign Minister Eduardo Trigo. The official has explained that the elimination of visa requirements between both countries will be instrumental in boosting tourism and other exchanges between Bolivia and Paraguay.

While discussions are going on in our country about the jurisdictions of LAB [Lloyd Bolivian Airlines] — which has been partially privatized — and the private company Aerosur, the Bolivian Government has authorized LAB to fly to Paraguay. Likewise, LAPSA [Paraguayan Airlines Inc.] will soon include Bolivia in its routes. This agreement is part of the 1958 [as heard] accords concerning airline services. [passage omitted]

Brazil

Brazil: Cardoso Signs Patent Bill Into Law, Chides Opponents

PY1405211396 Sao Paulo AGENCIA ESTADO in Portuguese 1713 GMT 14 May 96

[FBIS Translated Text] Brasilia, 14 May (AE) — Upon signing the patent bill into law in a ceremony held today at Planalto Palace, President Fernando Henrique Cardoso stated that a five-year effort has thus been successfully completed. In his speech, Cardoso noted that there was misunderstanding about the issue at the time he served as foreign minister. Cardoso said: "No one can grow on the basis of piracy." In a critical tone, he added: "Even when we could have copied things, we did not do so owing to a lack of investments." He said: "Now, inventions must be paid for."

Cardoso also criticized those who opposed the bill by claiming that it would leave Brazilian industry unprotected. He said: "The president of the National Confederation of Industry [CNI], which is the organization most interested in the bill, served as rapporteur. The law is not designed to protect, but to promote, Brazilian industry, and to protect our scientists." He added: "We are overcoming a colonialist mentality that caused us to believe that Brazilians are incompetent."

Science and Technology Minister Israel Vargas, who also attended the signing ceremony, refuted allegations that the new law would jeopardize Brazilian industrial development. As an example, he noted that 25 percent of new medicines originate in living organisms, and "only our very large biodiversity is compensating for our backwardness in this area." The Patent Law, Vargas said, is going to pave the way for us to achieve modernity and to join the international market.

Brazil: President Approves Patent Law Without Vetoes

PY1505001596 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 14 May 96

[FBIS Translated Text] President Fernando Henrique Cardoso today approved — without vetoes — the new law on trademarks and patents. The main innovation is the adoption of the pipeline, which entails the recognition — with up to 10 years of retroactivity — of patent records for products that are still being researched. This position was advocated by the United States, which thus sought to defend its industry.

Congress studied the new patent law for five years. Now that it was approved by the president, the law will put an end to intellectual piracy, because Brazilian legislation so far defended only technological inventions.

The patent law will come into force in one year, but in the case of the new patentable products — like food, medicines, and chemicals — the law will come in force on 16 May, the day in which it will be published in the Union's official gazette. The new law will terminate intellectual rights piracy, because the existing law, which was approved in 1971, defended only technological inventions.

Science and Technology Minister Israel Vargas has said that the lack of protection for intellectual rights did not help Brazil improve its industrial performance. Vargas said that in the 1970's, Brazil accounted for 2 percent of the world pharmaceuticals' market. In the early 1980's, this index dropped to 1.8 percent, while in the beginning of the 1990's it dropped to only 0.2 percent. According to Minister Vargas, the government hopes the new law will reverse this situation.

Brazil: Congressmen Disagree Over Telephone Legislation

PY1405183096 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 14 May 96

[Report by Flavio Figueiredo in Brasilia]

[FBIS Translated Text] The government wants to guarantee the voting on the bill regulating the private cellular telephone sector. It has been decided that an agency to control this sector will be created. The regulations for this agency should be ready in six months. Until then, the Communications Ministry will control the cellular telephone service. There is as yet no agreement over the possibility that this future agency would be subordinated to the Communications Ministry, as most congressmen want. The problem is that the PFL [Liberal Front Party] wants an autonomous agency with administrative and financial independence.

The most controversial point of the bill is the 49 percent limit on foreign capital participation in the companies that will exploit cellular telephone services. The PFL opposes establishing any limit on foreign capital participation, as the government wants to impose.

Geddel Vieira Lima, PMDB [Brazilian Democratic Movement Party] deputy leader in the Chamber of Deputies, said his party does not want the bill to mention any limit so as to allow the government to decide what limit should be established on a case by case basis.

Deputy Benito Gama, government leader in the lower house, said that this limit can be negotiated, but not the control of the cellular telephone companies. He said that control of these companies should remain under the Communications Ministry.

Brazil: Limit on Foreign Investment in Cellular Telephony Viewed

PY1505013196 Sao Paulo AGENCIA ESTADO in Portuguese 1813 GMT 14 May 96

[FBIS Translated Text] Brasilia, 14 May (AE) — The meeting of leaders of the allied parties at Planalto Palace agreed that for three years as of the promulgation of the law regulating cellular telephony concessions, foreign capital can only constitute 49 percent of the concessions. The meeting agreed to the proposal that was supported by Communications Minister Sergio Motta and members of the Brazilian Social Democracy Party [PSDB]. An alternate proposal by Deputy Geddel Vieira Lima (PMDB-BA) [Brazilian Democratic Movement Party - Bahia] was discussed until half way through the Planalto Palace meeting. The proposal by Deputy Vieira Lima contemplated opening the area entirely and allowing the executive branch to establish limits on foreign investment whenever it deemed it necessary. This proposal was supported by the Liberal Front Party. PSDB leader Jose Anibal (Sao Paulo) is now presenting the administration proposal to leftist party leaders at his apartment in Brasilia.

Brazil: Government Considering Concessions in Car Policy

PY1505002896 Sao Paulo GAZETA MERCANTIL in Portuguese 13 May 96 pp a1 a4

[Article by Maria Helena Tachinardi]

[FBIS Translated Excerpt] Japan firmly maintains its decision to call Brazil to consultations at the WTO if the Brazilian administration does not modify the Provisional Measure that created the car industry policy, which was reissued last week. "The Brazilian car industry policy must change because it is inconsistent with the WTO norms" a Japanese source told this newspaper.

"To convince Japan, South Korea, the United States, and the EU that Brazil has acted according to WTO rules (Article 5.5 of the Trims agreement (on Trade Related Investment Measures)) is certainly the hardest task Brazilian diplomacy must undertake as of today," said a Brazilian Foreign Ministry, Itamaraty, source.

After withdrawing the "waiver" petition and after complying with the obligation of announcing the Provisional Measure on the car industry policy 90 days after it came into effect, the new Brazilian strategy consists of adopting a defensive attitude. The Brazilian administration will begin by talking with the countries that criticize the Provisional Measure to attempt to find a solution outside the WTO which could turn down the "waiver" petition.

On 14 May, Foreign Minister Luiz Felipe Lampreia will attend a dinner in Geneva with the ambassadors that represent their countries before the WTO. Lampreia will also talk with WTO Director General Renato Ruggiero.

On 15 May, Lampreia will visit Washington, accompanied by the Brazilian representative to the WTO, Ambassador Celso Lafer, and by Itamaraty Economic Department Chief Jose Alfredo Graca Lima. They will contact the U.S. state and commerce secretaries and U.S. Trade Secretary (USTR) Charlene Barshefsky.

O GLOBO news agency reports that in order to soothe the pressures of Japan and South Korea, the Brazilian administration could authorize the new car factories from those countries which plan to invest in Brazil, to reduce the index of locally made parts of their vehicles — currently established at 50 percent — to 35 or 40 percent. Six Korean and Japanese companies will benefit from such measure: Asia Motors, Kia, Hyundai, Mitsubishi, Honda, and Toyota.

Such incentive would be negotiated bilaterally, envisaging a corresponding matching measure by the trade partner which should reduce its import tariffs or trade barriers imposed on Brazilian products like rice or orange juice, in the case of Japan, for example.

Industry, Commerce, and Tourism Minister Francisco Dornelles will on 14 May discuss the eventual reduction of the index of locally made parts of vehicles produced by Japanese and South Korean companies with representatives of the National Union of Car Part Industries (Sindipecas).

"Brazil is at the disposal of its partners to identify the problematic areas," said Graca Lima. However, that does not mean that the Brazilian administration is considering modifying the "basic points" of its Provisional Measure, he added. The Brazilian administration considers that in less than a year of implementation, the Provisional Measure, which already guaranteed $17 billion worth of investments in car industries and spare part companies, is "a success." The administration, however, is alert to eventual legal conflicts at the WTO. [passage omitted]

Brazil: Efforts To Maintain Car Industry Policy Viewed

PY1405221096 Sao Paulo AGENCIA ESTADO in Portuguese 1849 GMT 14 May 96

[FBIS Translated Text] Sao Paulo, 14 May (AE) — Maintaining the Provision Measure on the car industry policy will demand a great diplomatic effort by the Brazilian administration to avoid trade disputes with its world partners. The marathon effort began today in Geneva, where Foreign Minister Luiz Felipe Lampreia held a meeting with WTO Director General Renato Ruggiero.

Ruggiero will not be the one to decide who is right or wrong, but analysts very close to the WTO believe that Brazil will find in Ruggiero a good mediator for future negotiations. "Lampreia and President Fernando Henrique Cardoso were practically the key players in the selection of Ruggiero at the head of the WTO," said an analyst very close to the Brazilian administration and the WTO.

"Ruggiero will not decide anything, but he could intercede in favor of Brazilian diplomacy and therefore it will be a great help," said the same source. It is inevitable that Brazil will have to grant trade concessions if it wants the Provisional Measure to be approved as it is, the source stated.

"Bilateral consultations are inevitable and Brazil will have to negotiate with its partners concessions in other productive sectors," said the observer. According to the analyst, the price to be paid has already been defined, although it is not linked to the car industry. "Other sectors, especially the agricultural sector, will pay in proportion to the benefit given to the car industry. That is inevitable," said the analyst.

Advisers close to Finance Minister Pedro Malan recognize that Brazil will face strong pressures from its trade partners in the WTO. The consequences of such pressures should end with the installation of "panels" (investigating commissions) whose decisions must be confirmed by consensus in the WTO Council, something that Brazil did not obtain in any of its attempts challenging international trade rules.

Once the "panels" are installed, however, Brazil will gain time and it will be able to maintain the provisional measure on the car industry the way it is now for a period of time not shorter than a year. The Finance Ministry source believes that during that period of time the investigations are held, Brazil will not suffer any trade retaliation. "Legally, no country can do that, since Brazil could file a complaint before the WTO," said the government source.

Brazil: Import Quotas on Textiles From Taiwan, PRC, Panama

PY1405211296 Sao Paulo GAZETA MERCANTIL in Portuguese 9 May 96 pp A1, A4

[Article by Maria Helena Tachinardi in Brasilia]

[FBIS Translated Text] The Foreign Trade Secretariat (Secex) will announce on 9 May the import quotas to be established immediately for textiles imported from the PRC, Taiwan, and Panama, countries that do not belong to the WTO.

The new safeguard measures, which will protect the Brazilian textile industry for one year, will be included in a decree to be signed, probably still this week, by Francisco Dornelles, industry, commerce, and tourism minister.

The ROK, Thailand, Hong Kong, and Pakistan — exporting countries that are members of the WTO — will also be penalized with quotas, but the procedure will be slower and will only take place after negotiations with the countries that feel harmed.

The federal administration will announce on 9 May the import quotas to be established for textiles and ready-made clothing manufactured in the PRC, Taiwan, and Panama. The text of the decree containing the new measures will be decided on 9 May, during a meeting to be held by the Secex and members of the Ministries of Finance and Foreign Affairs. The first act of the new industry, commerce, and tourism minister, Francisco Dornelles, will be to sign the decree, probably still this week.

The decision to implement safeguards in order to protect the Brazilian textile industry was strengthened on 7 May during a meeting of the Foreign Trade Chamber. It was decided at that time that Taiwan, the PRC, and Panama — which are not members of the WTO — will be immediately penalized, without prior bilateral consultation.

As to the other countries that export textiles to Brazil and that the Brazilian textile industry charges with unfair competition — such as Pakistan, the ROK, Hong Kong, and Thailand — the procedure will be slower and taken within the framework of the norms of the Textiles and Clothing Accord [Acordo de Texteis e Vestuario — ATV] of the WTO.

Article 6 of the ATV, which consists of several paragraphs, establishes, however, that the harmed country can adopt safeguards, in a summary manner, even against WTO members, as long as it is proven that an emergency situation exists. In these cases, consultation with the involved countries can be held after the import quotas are implemented.

The administration, however, evaluates the advantages of adopting safeguards against WTO members without previous consultation because the international community might react negatively to such a gesture. "There are exporting countries, such as Brazil, that worked together with us in the Uruguay Round (which gave origin to the WTO), and other important partners in the struggle against protectionism," a source of the trade area has told this newspaper.

The most cautious position regarding the quotas for WTO members is that of the Finance Ministry, the source said.

Itamaraty has been granting technical and legal assistance to the administration in order to prevent mistakes in the implementation of measures from the viewpoint of international norms.

The quotas will be implemented for one year. "As Brazil is an amateur" in the area, "there is an advantage in holding previous consultations, including in order to learn how the quotas are administered," the source explained. There are advantages for the penalized countries also; they will be allowed to negotiate a progressive increase of the limits.

The adoption of quotas, which the textile industries have been seeking for more than six months, is the swiftest way of reducing the trade balance deficits of the textile area. It does not mean, however, that all problems will be solved, an official source said. "The measure must be combined with a policy for the textile industry. A survey conducted by the National Bank for Economic and Social Development indicates that $8 billion is required to reorganize the area."

The administration has already tried to inhibit textile imports from Asian countries by increasing tariffs, but the effect was not satisfactory because it does not help to establish a high tariff on merchandise the unit price of which is quite low, a diplomatic source said. "No tariff can be high enough to stop that. A piece of men's underwear imported from one of those countries reaches Brazil at the price of $.40 cents," the source added.

A "broad number of tariff positions" will be the target of the quotas the administration is announcing on 9 May," a diplomat reported. The measure will be adopted on the basis of three basic criteria: proof that there is a large amount of imports, a sudden increase in the amount or number of purchases abroad, and the causal relationship between these two factors, as well as the harm done to Brazilian textile manufacturers.

Brazil: Dornelles' Foreign Trade Positions Examined

96SM0291C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 May 96

[Editorial: "Priority in Foreign Trade"; received via Internet]

[FBIS Translated Text] New Minister of Industry, Commerce, and Tourism Francisco Dornelles made it clear, in his speech at his swearing-in, that he intends to make one of his priorities the achievement of a surplus in the trade balance. However, contrary to what was reported in some commentaries, this former finance minister in the Sarney government—thoroughly knowledgeable about foreign trade problems, not only because of his long career in the Federal Revenue Service but also through his experience at GATT meetings—does not plan to resort to increased protectionism to achieve his objectives.

Francisco Dornelles knows that a country like Brazil cannot risk an exchange-related destabilization, with a rising deficit in balance of payments current accounts. It is this conviction that leads him to advocate a return to a surplus in the trade balance, albeit a more modest one than in the past. The gentleman took care to avoid clashes with the finance minister's team, by not proposing a change in exchange policy. Actually, he intends to make use of his familiarity with the mechanisms of the World Trade Organization (WTO) to manage skillfully the antidumping provisions as they apply to imports. As for exports, he will pay special attention to measures that could lower the "Brazil cost."

What is not part of his program is a return to protectionism, an instrument he finds inefficient and inflationary. Dornelles noted that the import duty "is not a fiscal instrument, but a means of controlling the market." Such a statement affects the auto industry, which he termed a very important sector. It must not, as he sees it, abuse the comfortable position it enjoys by raising prices by increments much higher than the inflation rate, especially having won a customs tariff of 70 percent that eliminates imports from other countries that are not members of Mercosur [Common Market of the South].

On the eve of the WTO study of the Brazilian automotive regime, the minister is perhaps preparing a retreat under which, in order to maintain the proposed regime, we will have to reduce a tariff that, in an open economy, really does constitute an anomaly. One cannot deny that the industry has been given special treatment, perhaps to attract new companies to this country. A reduction in tariffs would certainly be welcome abroad; meanwhile, the assembly plants could be compensated by a reduction in the national content index. The latter does not seem to us to be the right solution at a time when unemployment is rising and the auto parts industry—completely at the mercy of the automakers—is going through a very fragile period.

Minister Dornelles certainly has plenty of the strength needed to energize a sector that, without contributing to destabilizing the currency, needs to regain a certain autonomy for the sake of a resumption of growth.

Brazil: New Special Social Policy Chamber Created

PY1505012896 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 May 96 p A4

[Article by Ricardo Amaral]

[FBIS Translated Text] Brasilia — President Fernando Henrique Cardoso has created the position of executive secretary of the Special Social Policy Chamber. The new executive secretary, whose name will be announced in the next few days, will have total access to the ministers of the social area. His mission will be to coordinate the administration's social actions, even to demand that they comply with the goals established by this special chamber. O ESTADO learned this through Education Minister Paulo Renato Souza, one of the creators of the idea.

The administration is creating this new position in response to criticism, according to internal and external evaluations, of its poor social action performance. The subject originated nearly two months ago among the president of the Republic and some ministers. They first considered Planning Minister Jose Serra to coordinate all the government social actions, but Serra rejected the idea.

Serra's nomination was promoted mainly by Communications Minister Sergio Motta. Serra already controls large government investments in health and housing. Even though he rejected the proposal, Serra helped design the new format of the Special Social Policy Chamber which is the result of a complicated political effort.

Ability — The Special Social Policy Chamber will comprise the ministers of education, health, labor, social security, planning, finance, agrarian reform, and civilian household; and Community in Solidarity Executive Secretary Ana Peliano.

The generators of the idea acknowledge that it will be difficult to find an executive secretary with enough political ability to coordinate actions among ministers and demand results from them. One of the names proposed is that of Andrea Calabi, former Seplan [Secretariat of Planning and Coordination of the Presidency of the Republic] secretary, but he said he was not invited.

The idea was submitted to Mrs. Ruth Cardoso who is president of the Consulting Community in Solidarity Council. One of the ideas was to create a social action command without affecting Mrs. Cardoso and Ana Peliano. One government official involved in the plan said: "The problem is to create a structure that is agile yet one that will not undermine the authority and autonomy of the ministries in the implementation of projects."

The formula for making collective decisions through the Special Social Policy Chamber stemmed from such evaluation. The ministers will thus define the priorities, and establish government goals and objectives. The fact of participating in collective decision making will give the executive secretary the political conditions to demand the compliance of what is established.

The president decided to rule out another proposal, which was to create a social action under secretariat subordinated to Civilian Household Minister Clovis Carvalho.

[Sao Paulo AGENCIA ESTADO in Portuguese at 0000 GMT on 9 May adds: "First Lady Ruth Cardoso wants to separate her work from the administration. She wants to transform the Community in Solidarity Council, over which she presides, into an agency that exclusively represents civilian society. The first lady's will to separate her image from the administration is one of the reasons that led Planalto Palace to suggest changes to the social action management area. If it were up to Mrs. Cardoso, the Community in Solidarity would only be involved in social programs carried out in partnership with civilian society. The social area ministers would therefore no longer hold a seat in the Community in Solidarity Council."]

Brazil: Cardoso Government Compared to Mexico's Salinas

96SM0291B Sao Paulo FOLHA DE SAO PAULO in Portuguese 9 May 96

[Article by Clovis Rossi: "Public Opinions"; received via Internet]

[FBIS Translated Text] Sao Paulo—The Fernando Henrique Cardoso [FHC] administration is beginning to experience a situation somewhat like that of Mexico during the Carlos Salinas de Gortari administration, which led to the disaster we are familiar with today. At least if we take as a starting point the analysis made on Sunday in this newspaper by Mexican sociologist Jorge Castaneda. His article ended by pointing out "the mistake Salinas made: convincing Mexicans that their country was doing well because that was what the international press and the managers of speculative funds were saying." Outside Brazil, the FHC government still gets high marks, perhaps not as high as Salinas at his best moments, but certainly the highest in recent Brazilian history, if we discount the earliest days of the Collor government.

There are cautions, here and there—especially with respect to the fiscal situation—but the general "mood" [preceding word in English] is positive. Internally, things are beginning to get complicated. Pessimism is spreading, fueled partly by the figures on economic activity, partly by a feeling of insecurity provoked by the sensation of paralysis that has afflicted the administration, strictly speaking, since the beginning of the year.

The president was heard to complain, some days ago, that he considers the pessimism to be exaggerated. Exaggerated or not, it is important to draw a distinction between the two kinds of public opinion that exist today. One, the more powerful, was described by Castaneda and is composed not just of the managers of speculative funds, but by a handful of academics and consultants who share a belief, ideological or biased, in the model that is inappropriately called "neoliberal." The other is the internal public opinion, which counts less and less.

There is still time for FHC to avoid going as far as Salinas did.

Brazil: Cardoso Views Last Two Weeks as Nadir

96SM0291A Sao Paulo ISTOE in Portuguese
8 May 96

[Article by Eumano Silva: "The President Reacts"; received via Internet]

[FBIS Translated Text] On Wednesday 1 May, Amazonas Deputy Arthur Virgilio, secretary general of the PSDB [Brazilian Social Democracy Party], traveled from Brasilia to Sao Paulo with the intention of taking part in a demonstration sponsored by the Sole Workers Central (CUT) in commemoration of Labor Day. Virgilio arrived alone by taxi at the ceremony held by CUT on Paulista Avenue, but was booed and never got to speak. The frustrated attempt by the *tucano* deputy to defend the administration against demonstrators marshalled by the opposition reinforced the conviction, inside Planalto Palace, that the public has forgotten about the benefits gained from the stabilization of the economy and still cannot perceive the improvements that are taking place both in education—where the administration has almost doubled the number of textbooks supplied to students—or in health—where the budget is twice the 1994 level.

"No president has done as much on social problems as I have, but no one acknowledges this," said an exasperated President Fernando Henrique Cardoso [FHC] on the eve of the 3 May cabinet meeting. At that meeting, he decided to centralize all the government's media policy at Planalto Palace. Instead of letting each ministry announce its actions, the palace will provide an overall view of government activities. This was the way the president found to deal with the flood of demands in the social area that followed the massacre of 19 "landless" farmers at Eldorado de Carajas (Para State). That, plus the commotion caused by leaks about the cabinet shakeup, made FHC feel that the past two weeks have been the worst since his inauguration.

When he gets worried about the shortage of good news for his administration, the president keeps one eye on domestic affairs and the other on events outside Brazil. FHC tries to show the voters that he is keeping the promise he made in his inaugural address to wipe hunger and misery off the map of Brazil. But what hurts him most are the negative repercussions that the nation's infirmities are having abroad during these times of globalization. In the opinion of Planalto Palace, for example, what the rest of the world hears about the situation among Brazilian Indians is distorted. Fernando Henrique would prefer that his decision to change the rules on expropriation in areas allocated to Indian reserves not hamper the flow of investments in this country. The administration would like the foreign public to be told that Brazil has allocated more land to Indians than has any other country—a combined area nearly half the size of Mexico.

The same applies to the massacre of the "landless." In the president's opinion, the country's agrarian problems would be much less severe if they were not exacerbated by the present policies of the [rural] leaders. As to just how big the social question of land ownership is, the president cited some figures. A year ago, the MST [Landless People's Movement] supposedly had 19,000 families signed up. The government has settled, complete with name and CPF [Taxpayer I.D. Number], 42,000 farm families. But now the number of landless is said to be 37,000 families. "They are recruiting people from the outskirts of the big cities," thinks FHC. "It would not be that hard to find places for the 37,000 families that now want land, but the problem is that they will not agree to go just anywhere. Anyway, it would not help, because every day more people show up who want to be settled," the president said before his meeting with MST leaders on Thursday, 2 May.

Pressured by critics who say he is not doing enough in the social area, last week Fernando Henrique took other initiatives to try to prove them wrong. On Monday, 29 April he announced a program that earmarks 6.3 billion reals to job creation, an area affected by the globalization of the economy. "Between now and 1998, we will probably invest 20.8 billion reals in job creation," said Planning Minister Jose Serra. The funds for this investment will come from the Workers' Support Fund (FAT), the National Bank for Economic and Social Development (BNDES), the states, the cities, and the state-owned companies. "The plan is small potatoes; it shows only numbers and, although it might actually generate some employment, it is merely compensatory," said sociologist Herbert de Souza, aka "Betinho," in announcing, that same day, his withdrawal from the Community Solidarity Program headed by First Lady Ruth Cardoso. To the administration, this issue is simpler than it appears.

Planalto Palace's complaint in this case is that statistics, supplied mainly by the Sao Paulo State Federation of Industries, (FIESP), point to a reduction in job openings in industry. On Thursday, 2 May, however, a survey containing figures the Palace found displeasing came out of the administration itself. According to the Brazilian Institute of Geography and Statistics, unemployment in metropolitan Sao Paulo reached 7.65 percent in March, its highest level since May 1984, when it was 7.95 percent. Those figures are viewed with reservations by the palace, which claims they do not reflect the new jobs that have opened up in other parts of the country.

"More important than the increase in investments in the social sphere are the administration's continued priorities," said Andrea Calabi, executive secretary of the Ministry of Planning. "We are preventing schools from being built without roads, or roads without schools." In its counterattack, Planalto Palace wants to use the PSDB to get its people onto the streets and offset the demonstrations mounted by the opposition. The first initiative in this regard was sending Arthur Virgilio to CUT's 1 May event. But there is more to come. "The party will bring out people with flags and banners to applaud the president at all his public appearances," Virgilio told ISTOE.

The president's assessment that the past two weeks have been the worst of his administration seem to be more of a personal impression than a cold analysis of the facts. After 16 months at the helm of this country, FHC is wearied by the succession of crises he has had to manage since the second-half of last year, what with the charges about Sivam and the repeated rescues of banks—the latter could, indeed, undermine the political support he has in the Congress, or the Real Plan. While he once may have thought it would be easy to govern this country, now he says the pressures are a very heavy burden. On days like this, the president would rather not discuss the re-election issue.

Brazil: Pro-Government Blocs Face More 'Ideological' Rifts

PY1405185196 Rio de Janeiro JORNAL DO BRASIL in Portuguese 10 May 96 p 4

[Report by Ilmar Franco and Carmen Kozak]

[FBIS Translated Text] Brasilia — President Fernando Henrique Cardoso called a meeting of congressional leaders late yesterday afternoon to reconcile the positions of the pro-government blocs. The meeting became necessary after Deputy Benito Gama (PFL-BA) [Liberal Front Party-Bahia], government leader in the Chamber of Deputies; and Senator Elcio Alvares (PFL-ES) [Espirito Santo], government leader in the Senate provoked a confusing situation when, reneging on their role as government leaders, they started to work against administration proposals.

Cardoso also seeks to prevent disagreements over the pace and intensity of the economic opening from causing a division within his congressional support base. Differences between PSDB [Brazilian Social Democracy Party] members and their allies within the PFL and the PPB [Brazilian Progressive Party] are so encompassing that they yesterday caused another postponement of a vote on the bill that would give private capital access to the exploitation of cellular telephone and satellite telecommunications.

To compound the situation, the PSDB decided to urge President Cardoso to increase the minimum wage on the basis of the INPC [National Consumer Price Index] over the past 12 months; that is, by 17.64 percent. That proposal was made by Deputy Domingos Leonelli (PSDB-BA) [Bahia] and was unanimously endorsed by the PSDB bloc, including Deputy Nelson Otoch (PSDB-CE) [Ceara], chairman of the Labor Committee. Leonelli said: "We want to help the administration by formulating proposals, and not by merely pushing buttons to cast our votes." PSDB bloc leader Jose Anibal (SP) [Sao Paulo] was assigned the unpleasant task of taking the proposal, which contradicts Finance Minister Pedro Malan's guidelines, to President Cardoso.

The most serious incident affecting the administration's congressional support base occurred on 8 May, when an attempt was made to vote on a bill opening the cellular telephone market. At that time, government leader Benito Gama negotiated an agreement without the consent and against the will of the Communications Ministry. The incident annoyed President Cardoso, who reprimanded Political Coordination Minister Luiz Carlos Santos. Driven by intense anger on the evening of 8 May, Communications Minister Sergio Motta went as far as accusing Gama of being at the service of lobbying groups and of betraying the administration. Motta became furious over the PFL attempt to curtail his powers. Venting his indignation to a PSDB lawmaker, Motta said: "Why have they not proposed the creation of a council to manage the Mines and Energy Ministry?" Mines and Energy Minister Raimundo Brito is a PFL member from Bahia State.

Gama realized he had made a bad move when he met Motta at the Partenopeia restaurant on the evening of 9 May. Criticizing Gama's behavior, Motta reminded him that he was the government leader, not the PFL leader. Aware of the Gama's difficult position, Minister Santos also acted. He met twice with Gama before meeting with President Cardoso.

Pressured and scared, Gama yesterday radically changed his position. He spent all day drafting a conciliatory proposal and submitted amendments to be voted separately that reflect the administration's and Motta's ideas. He went as far as recommending that the communications minister head the regulation of all telecommunications activities. Gama added: "On 14 May, I will vote against the PFL. Although I am a member of the PFL, I am the government leader. I act and speak as a representative of the administration."

Even PFL members helped Gama to radically change his position. A ranking PFL leader said the party does not want any risk of having Gama weakened or fallen from grace at Planalto Palace. The PFL members want Gama to be at least as powerful as his predecessor Luiz Carlos Santos. Thus, PFL leader Inocencio Oliveira yesterday endorsed the Gama-sponsored amendments — even though these are consistent with the PSDB ideas, and out of keeping with those of the PFL. The PFL leadership recommended that Gama no longer be openly exposed to PFL-PSDB disputes.

Despite all conciliatory efforts, PFL and PSDB leaders believe ideological disagreements are likely to get worse. Senator Sergio Machado (PSDB-CE) [Ceara], PSDB Senate bloc leader, said: "The PSDB must fight to implement the project it conceived for the country." The prevailing idea within both parties is that — as with the privatizations debate — differences of opinion will become quite evident in debating the draft laws that seek to implement the economic opening policy. Thee PFL and PPB party platforms advocate a complete opening of the economy and the end to any restriction on foreign capital. PSDB members — who are social democrats — favor a slower, more cautious economic opening process, with a view to protecting those companies established in the country.

Brazil: Parties Discuss Mayoral Candidates

PY1505013596 Sao Paulo GAZETA MERCANTIL in Portuguese 7 May 96 p A7

[FBIS Translated Text] Now that expectations about the approval of the amendment that would allow mayors to be reelected have been overcome, the government-supporting parties have started to speed up their internal definitions in all states nationwide and are ready to maintain their positions. In Bahia, the state's main political leader Senator Antonio Carlos Magalhaes proposed over the weekend the name of the current president of the Brazilian Electric Power Company, Inc., Antonio Imbassahy, as the PFL [Liberal Front Party] candidate. Imbassahy, who was the president of the local Legislative Assembly, governed the state of Bahia when Magalhaes had to leave his Bahia governor post because he was running for the Senate. Imbassahy is supported by Bahia Governor Paulo Souto, who is also a member of the PFL and a faithful supporter of Magalhaes. Meanwhile, the current mayor of Salvador — Lidice da Mata (PSDB) [Brazilian Social Democracy Party] — has already made official Deputy Domingos Leonelli's candidacy.

In Sao Paulo, Mayor Paulo Maluf — who is planning to run for the presidency of the Republic — promises to announce in the next few days the name of the PPB [Brazilian Progressive Party] candidate who will succeed him. According to congressmen linked to him, Maluf will try a complicated solution: He is not interested in having his candidate win because if this candidate makes a bad administration, this will make him vulnerable for the 1998 elections. Nevertheless, it is not convenient to leave the stage right now. Governor Mario Covas and President Fernando Henrique Cardoso's PSDB [Brazilian Social Democracy Party], however, is becoming entangled in long internal consultations, which will probably end by 12 May, in an attempt to suggest a name that may compromise, as little as possible, the party's positive electoral position, which was conquered in the last elections. Maluf's PPB movement, and that of Covas' PSDB will shake the electoral situations which had seemed consolidated so far, i.e., that of PT [Workers Party] candidate Luiza Erundina, and of the PDT [Democratic Labor Party] candidate, Francisco Rossi.

In Curitiba, the news that there are no possibilities of a reelection has exploded like a bomb in the PDT. The current Curitiba mayor, Rafael Greca, and Parana Governor Jayme Lerner are members of the PDT. With Greca out of the contest, a tight internal party dispute has been unleashed. There are as many as eight potential candidates for the vacancy. Greca has supported his Planning Secretary Cassio Tanigushi's candidacy, thus creating uneasiness among the other secretaries, particularly Parana Deputy Algaci Tulio. The deputy has been arguing that Tanigushi is a competent expert, although he has no political experience to dispute a campaign in which, in accordance with the law, the mayor and the governor must not be involved. The situation is still undefined within the opposition parties.

Similar difficulties are being faced by Belo Horizonte Mayor Patrus Ananias (PT) and the front that elected him — Popular BH [Belo Horizonte] — which is comprised of the PT, PSDB, the People's Socialist Party, the Communist Party of Brazil, the Brazilian Communist Party, and the Green Party. Minas Gerais Governor Eduardo Azeredo, of the PSDB, is using the confusion reigning in his adversary's field, in order to promote his Civilian Household Secretary Amilcar Viana, in an attempt to maintain the coalition that elected him (PSDB, PT, and PL [Liberal Party]) and to orchestrate an alliance for the second round of voting with Celio de Castro, of the PSDB, who is Ananias' vice governor and is his favorite candidate against the ranks and files candidate, Virgilio Guimaraes (PT). The PDT situation is not very calm either: Sergio Ferrara will probably dispute the position with Senator Junia Marise. The favorite candidate of the Datafolha poll, Mauricio Campos (PL), is still not the official candidate of his party, which has not decided whether to choose him or Minas Gerais Deputy Ronaldo Vasconcellos.

As Recife [Pernambuco State] Mayor Jarbas Vasconcelos (PMDB) [Brazilian Democratic Movement Party] was not interested in being reelected because he will run for Pernambuco's governorship in 1998, he has practically organized things for the elections. Supported by 72 percent of the Recife dwellers, Vasconcelos had enough authority to decide, practically alone, who will dispute his succession as a representative of the PMDB-PFL coalition. PFL Deputy Roberto Magalhaes has been the chosen one. He finally decided to accept his candidacy after undergoing heart checks and receiving a green light from the doctors, who authorized him to face an electoral campaign. Magalhaes had a heart attack nearly two months ago.

So far, the PT — which is the ruling party in Porto Alegre — has been sailing in calm waters with its candidate Raul Pont, who is Mayor Tarso Genro's deputy mayor. Rio Grande do Sul Governor Antonio Britto's party, the PMDB, is articulating a front to try to defeat the PT's favorite candidate. In the poll conducted by Datafolha, which was published over the 4-5 May weekend, PT candidate Raul Pont was supported by 33 to 39 percent of the interviewed people. Governor Britto has been trying to compensate for the PMDB's poor performance in Porto Alegre with Yeda Crusius' candidacy for the PSDB, which would also be supported by the PPB. The idea began to become ripe during the PPB convention, which took place at the end of April, when the most supported PPB candidate, Rio Grande do Sul Deputy Maria do Carmo, again refused to run in the elections. The challenge now is to prevent the PT from electing the Porto Alegre mayor for the third consecutive time.

The pre-electoral situation in Rio de Janeiro has suffered radical changes after the Dafolha poll was published last weekend. Former Governor Leonel Brizola's candidate, Miro Teixeira, moved up to the first position with 10 percent support and attracted the support of the PT executive board, the candidate of which — Chico Alencar — was supported by a modest 5 percent of the interviewees. Another surprise involved Rio de Janeiro Deputy Albano Reis, who was a potential candidate for the PMDB: From the first position he had occupied in the previous poll, he simply was not included among the first five potential candidates reported in the Datafolha poll. The progress made by the PT potential candidate and the disappearance of the PMDB potential candidate, will facilitate the negotiations conducted by Governor Marcelo Alencar, of the PSDB. Alencar wants to establish an alliance in the first round of voting with Rio de Janeiro Deputy Sergio Cabral Filho (PSDB), because Cabral Filho has received the second largest amount of support from the people interviewed in the latest Datafolha poll.

Brazil: Roundup of Economic Developments Through 10 May

PY1405203596

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 10 May.

BASIC LEADING INDICATORS

Car Industry Hits Record Production Figure — The National Association of Automotive Vehicle Manufacturers, Anfavea, has announced that the Brazilian car industry beat its own production record during the first four months of the year: It produced 538,099 vehicles, 7.55 percent more than during the same period last year. Last month 114,380 vehicles were sold, 14.51 percent more than the same month last year. Compared with March this year, sales were slightly smaller, but the car industry expects to recover next month once the government reduces the banking interest rates and the tax on financial operation. (Rio de Janeiro O GLOBO in Portuguese 10 May 96 p 31)

Harvest Production Projections — The National Supply Company, Conab, has concluded that agricultural production for the 1995-1996 harvest year will amount to 73.8 million tonnes of grain. This is 7.2 million less than the 1994-1995 production, which amounted to 8.1 million tonnes. Agriculture Ministry experts estimate wheat production at 2.6 million tonnes, compared with 1.5 million tonnes last year. Cotton production is estimated at 674,900 tonnes. Agriculture Minister Arlindo Porto said: "It is still just an estimate, but the Brazilian population will not lack food." He also expressed concern over the level of government food regulating stocks which may not be enough to supply the internal market, forcing the country to increase food imports. He said: "Our stocks are diminishing while our consumption is increasing as result of the economic stability." Corn production is estimated at 33 million tonnes. The Conab figures show the planted area was reduced by 3.4 percent nationwide, but in the center-south region the planted area was reduced by 5.3 percent. The National Agricultural Forum, which comprises state agriculture secretaries, pointed out measures to increase national agricultural production: increase resources to finance the harvest and define a price policy to protect national producers from foreign competition. (Sao Paulo GAZETA MERCANTIL in Portuguese 10 May 96 p B16)

Transference of Technology Deal Signed — The Villares Steel Company has just closed a deal with the

Japanese iron and steel group Kobe Steel Company involving the transfer of technology to manufacture steel for mechanical construction, which is extensively used in the car spares industry. The 4-year contract involves the Anhanguera mill, in Mogi das Cruzes, Sao Paulo. Villares Steel is investing $50 million in a modernization program that will last until 1997 to modernize the Anhanguera mill so as to increase its quality and competitiveness in the domestic and foreign car market. The agreement also foresees the transfer of designs for the development industrial steel processes. Villares Steel President Jose Carlos Martins said that the Anhanguera mill will produce 40,000 tonnes of steel per month, which is 60 percent more than now. (Sao Paulo GAZETA MERCANTIL in Portuguese 10 May 96 p C3)

FINANCIAL OPERATIONS

Investment Figures Estimated — A study by the Industrial Policy Secretariat of the Industry and Commerce Ministry states that $220.5 billion will be invested in Brazil by 2003. Of that, $63 billion will be invested in the productive sector. Rio de Janeiro State will absorb $21.17 billion, or 8.4 percent of the total. The study was carried out among the investing companies, industrial associations, and state secretariats. It only involves investments above $10 million. In the case of infrastructure investments, the study included public programs for the telecommunications, energy, and transportation sectors. Investments in telecommunications are estimated to $41.5 billion between 2000 and 2003. The study shows that Rio de Janeiro State will receive $14.625 billion for industrial and tourism; $1.494 billion for energy; $3.073 billion for transportation; and $1.978 billion in various private and public sectors. Private investments in Rio de Janeiro State include $600 million for the National Iron and Steel Company, CSN, $800 million for the petrochemical center; $565 million for Shell industries; $611 million for Brahma; and $515 million for the Souza Cruz tobacco company. There are other important projects, like the Volkswagen truck plant in Resende. The car industry alone will invest $20.8 billion by 1999. Tourism, hotel, restaurants, and theme parks will pull $9.181 billion by $2000. (Rio de Janeiro O GLOBO in Portuguese 13 May 96 p 16)

FISCAL, MONETARY ISSUES

Salary Costs Increase — The Social Security Ministry has readjusted the contribution chart for National Social Security Institute, INSS, by 12 percent for workers who earn a minimum wage, and by 15 percent for those who earn more. This readjustment means the maximum INSS contribution moves from 91.52 reals, R, to R105.33. Thus, the new limit of benefits paid by the INSS will be R105.33, even for those who earn more than R957.56. For those who earn a minimum wage, their contribution increased from R8, to R8.96. Until August, autonomous contributors and businessmen who earn up to R287.27 will pay a 10 percent of contribution to the INSS. As of September, the contribution will rise to 20 percent. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 11 May 96 p 4)

TRADE ISSUES

Soy Bean Export Figures — Soy bean exports totaled 1.305 million tonnes during the first quarter of the year. Exports during the same period last year amounted to 864.900 tonnes. These figures were provided by the agricultural division of the Swiss SGS Company. (Sao Paulo AGENCIA ESTADO in Portuguese 2154 GMT 13 May 96)

Chile

Chile: Alarcon Denies Possible Social Upheaval in Cuba

PY1505012996 Santiago EL MERCURIO in Spanish 11 May 96 p C5

[FBIS Translated Text] Ricardo Alarcon, president of the Cuban National Assembly of the People's Government, denied yesterday that his country is about to experience a serious social upheaval that will lead to bloodshed as predicted by Cuban retired Colonel Ariel Alarcon, aka "Benigno," who recently sought asylum in Paris, who said that the situation in Cuba is on the path to civil war.

"I believe we are very far from that apocalyptic vision, which fortunately has nothing to do with the real Cuban situation," said Alarcon. Alarcon added that some people would like to create a chaotic situation in Cuba, which is the purpose of the Helms-Burton Law implemented by the U.S. Government to strengthen the economic blockade against Cuba and to provoke an internal upheaval from the outside or something similar.

He said that this type of situation, in addition of going against the interests of the rest of the world which is not interested in bloodshed in any country, lacks any real basis. He added that although the country is going through a difficult situation from the material standpoint when its traditional markets in eastern Europe disappeared, Cuba was able to stop the economic deterioration and to preserve the free education and health systems.

Alarcon noted that Cuba was able to maintain such a degree of national unity that disproves the remarks made by "Benigno," and that this unity was recently reflected during labor day celebration with the largest workers parade ever in the island's history.

Ricardo Alarcon, who is visiting Chile at the invitation of the Socialist Party, met yesterday with the leaders of the Christian Democratic Party (PDC), who expressed their concern over the human rights situation in Cuba.

In this regard, PDC Vice President Claudio Huepe said the leaders conveyed to Alarcon the feelings of friendship with the Cuban people, the contribution made by the PDC for the resumption of diplomatic relations between the two countries, and the condemnation of the Helms-Burton Law.

Huepe said, however, that during the friendly meeting, and respecting the freedom and self-determination of the Cuban people, the PDC leaders gave Alarcon their views on the Cuban process and the aspects of it on which they disagree. Huepe said that the PDC leaders conveyed to Alarcon that the economic opening Cuba is experiencing should go along with a political opening.

Chile: Uruguay Veto in Mercosur Negotiations Downplayed

PY1505002296 Madrid EFE in Spanish 1707 GMT 11 May 96

[FBIS Translated Text] Santiago de Chile, 11 May (EFE) — The Chilean Government has downplayed problems emerging within Mercosur, [Common Market of the South], and the eventual veto announced by Uruguay to signing the agreement between Chile and Mercosur. Chilean Acting Foreign Minister Mariano Fernandez has stated that the negotiations are progressing, and that conflicts within Mercosur are not subjected to discussions, and should not affect negotiations with Chile.

The possible Uruguayan veto was prompted by restrictions imposed by Brazil on Uruguayan clothes imports. In an attempt to exert pressure, Uruguay has announced that it will not support the bloc's negotiations with other countries if Brazil does not amend its restrictive measures.

Fernandez said Chilean Foreign Minister Jose Miguel Insulza and his Uruguayan counterpart Alvaro Ramos discussed this issue before leaving for Spain. Insulza told Ramos that he "understands" the situation and conveyed to him his wish that the difficulties "will be overcome as soon as possible."

Carlos Mladinic, head of the team negotiating with Mercosur, has termed "very remote" the possibility that this and other problems could prevent an agreement between Chile and the bloc made up of Argentina, Brazil, Paraguay, and Uruguay.

Mladinic, who is also the Foreign Ministry economy under secretary, has said that negotiations on pending topics will resume in Buenos Aires the second half of May.

Fernandez said that the technical terminology is one of the topics that is still to be analyzed between Chile and the Mercosur member countries.

The specific rights imposed by Argentina on textile and shoes have not been solved either. This fact harms Chilean exports to Argentina, according to the Chilean Government.

Chile: Air Force Rescue Service Tests New Homing Beacon

PY1505002196 Santiago EL MERCURIO in Spanish 10 May 96 p C8

[FBIS Translated Excerpt] The Search and Rescue Service (SAR) of the Chilean Air Force [FACh] yesterday conducted a rescue drill during which they demonstrated the new Cospas-Sarsat [expansion unknown] international system to locate crashed aircraft and wrecked ships. The SAR will use this system as of late June.

To celebrate its 46th anniversary, the SAR carried out a practice emergency drill in a ravine 35 km from Cerrillos, in "Lo Hermida," on the northern border of Pudahuel district.

The system uses information from Russian and U.S. satellites that cover the entire planet and transmit signals to ground stations — in the case of Chile, to Los Cerrillos airport. These signals are generated by special aircraft-mounted sensors, known as "beacons," which are activated automatically if the aircraft crashes.

The efficiency of these "beacons" — which are now being fitted to all Chilean aircraft — was demonstrated yesterday. Transmissions from these beacons are passed via satellite and help to determine the crash site to within 3 km.

Air Brigade General Egidio Machuca, operations director of the FACh, to which the SAR is subordinate, said: "This does not mean flights in Chile will be safer. That depends on the security measures taken by each pilot, but the SAR is reassured because we will be able to react faster in the event of a plane crash."

Currently, the SAR has five operation bases in Iquique, Santiago, Puerto Montt, Punta Arenas, and Easter Island. There are plans to install another shortly in Antofagasta and one in Antarctica. [passage omitted]

Chile: Correction to PDC Absent From PS Congress, CUT Developments

PY0805151596

The following correction pertains to the item headlined "Chile: PDC Absent From PS Congress, CUT Developments," published in the 9 May Latin America DAILY REPORT, page 28: Page 28, column two, fifth full paragraph, should read: ...When asked about the reason for the decision, Foxley answered that, despite the efforts made by the Socialist leaders, there isn't even a minimum consensus to give any credibility to the agreement reached by the CPPD party leaders last week to not make pacts with forces outside the CPPD, even at the level of social organizations....(rewording for clarity)

Colombia

Colombia: 'Terrorists' Attack Home of Cali Police Commander

PA1405170896 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 14 May 96

[Report by Fernando Mosquera and Jair Reyes from Cali; from the "RCN Radio Events" newscast]

[FBIS Translated Text] [Mosquera] Unidentified men have just attacked the home of Cali Metropolitan Police Commander Colonel Luis Bernardo Maldonado. Initial reports indicate that the perpetrators, who were riding in a red jeep, fired a rocket at Col. Maldonado's house, located at the intersection of Third West Avenue and 11th Street in the Santa Rita neighborhood.

The authorities have already deployed a large number of policemen to the site. We do not know yet whether there have been any casualties. The incident has apparently only caused damages to this residence in western Santiago de Cali. Reports have indicated that two motorcycles escorted the terrorists who fired the rocket at Col. Maldonado's residence.

[Reyes] Col. Maldonado, who was in his house at the time of the attack, has already gone to police headquarters, located on 21st Street and First Avenue. Fernando Mosquera has already reached the site of the attack in western Cali. Is there any more information on the attempt on Col. Maldonado's life?

[Mosquera] The most important news we have thus far is that Col. Luis Bernardo Maldonado and his entire family escaped this terrorist attack unscathed. The police are still searching for a red vehicle with black borders and the two motorcycles that escorted it at the time of the attack. The police have cordoned off the area and are implementing strict security measures.

We have learned that an official report on the incident will be issued some time soon. We have also learned that the rocket did not strike Col. Maldonado's home but a nearby area, and Col. Maldonado, who had just arrived from Santa Fe de Bogota, and his family escaped this attack unharmed. The most important part is that it has been confirmed that this attack left no casualties.

According to a provisional report, the terrorist attack on Col. Maldonado's residence left damages, but no casualties. After firing the rocket, the terrorists fled toward southern Cali, escorted by two men on motorcycles.

Colombia: Samper Discusses Effects of Political Crisis

PA0905175296 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0330 GMT 7 May 96

[Interview with President Ernesto Samper by "Over and Out" program host Roberto Pombo in Santa Fe de Bogota on 6 May — live or recorded]

[FBIS Translated Text] [Pombo] Good evening. This is Over and Out. We have the president of the Republic with us this evening. Good evening, Mr. President.

[Samper] Good evening, Roberto.

[Pombo] Thank you for accepting the offer to participate on "Over and Out."

[Samper] My pleasure.

[Pombo] Let us get to the point, president. You have a sizable number of business associations against you; you have a sizable number of media against you; you have the church completely against you; you have the U.S. Government against you. Is not all this enough to admit that the situation in the country is not [word indistinct] for you?

[Samper] I think your analysis is very simplistic, Roberto, because the church....[pauses] some prelates have stated their views but Catholics support me. Likewise, the business associations do not represent all of the business sector and there are different views within the U.S. Government. Perhaps some are against the government because we have been very independent in our policies. The truth is that the Colombian society cut itself loose and the supporters of the government nowadays are precisely those who cut themselves loose, so I think it is very simplistic to include the church, business associations, or private sector in their entirety. I believe that, despite all this, a sizable number of people support the government, and that is part of my problem.

[Pombo] Why is it your problem?

[Samper] Because those people are not allowed to speak up. Many journalists believe that what is said by those who claim they represent the people is the only acceptable truth.

[Pombo] But the people whom you say cut themselves loose are now divided in half, give or take a few. What has happened is the portion against you is equal to the other half, quantitatively speaking, but it is more powerful, qualitatively speaking. Therefore, in terms of power...

[Samper, interrupting] Of course, because the golden rule in Colombia is that one wins with the lower class, but rules with the upper class; and some of those in the upper class do not want the government to have a social policy. Hence, their objections to what is taking place.

[Pombo] Of course, but the issue here is not the degree of justice or injustice in what happens.

[Samper] I am [words indistinct]! [laughs]

[Pombo] No, that is quite clear! [laughs] I mean in terms of how much the opposition affects a government. Your government's opposition is comprised of groups that have traditionally been the factors that support those in power — the church, business associations, media...

[Samper, interrupting] You mentioned two key words: opposition and traditionally. There is no opposition in Colombia. That is part of my problem. What we have here are opponents. Many people are casting stones, but there is only a single person with whom we can sit down and say: Come, let's settle this. What is your opinion? What are your goals? Let us see if we can reach an agreement.

Second, you mention the word traditionally. Colombian society has changed. It turns out there is another sector that also deserves respect. It turns out there is also a middle class that also deserves respect; there are small-level businessmen who may not represent the associations; there are Catholics; and there are those who are Christians who also have their associations and also deserve respect.

What we have here is a new convergence of social sectors, and I admit that those social sectors have no media, do not appear in the news, are not called by newsmen and brought to Over and Out. Those are the sectors that support the government.

[Pombo] Nevertheless, even if some are traditional it does not mean the new groups are more powerful than the traditional ones.

[Samper] No, the traditional ones are yours; the new ones are mine.

[Pombo] No, the traditional ones are the ones that actually made politics support governments.

[Samper] Those traditional values have cut themselves loose — the church, the business associations. I do not criticize the business associations or the church, for God's sake. Furthermore, I am a Catholic and I recognize it. What I say is society has cut itself loose due to phenomenons like communications, modernization, and decentralization; that society wants to state its views and it is that society which is not allowed to state its views.

[Pombo] If what you say is true, you would not have a problem, there would be no crisis, you would have the half you mention supporting you, and we would not be on the air, holding a debate — but that's not what is happening.

[Samper] We are on the air [words indistinct].

[Pombo] Not only at national level, but also at international level.

[Samper] Roberto, excuse me for interrupting you. If the society that supports my government had a medium, if it had access to the media, and if it could transmit an objective reality — what it wants and what it feels — we would surely have no problems.

We have to differentiate between the crisis and the psychosis of the crisis certain media have created; not all of them, but many of them. Something very unusual is happening to me: there are people who come to Narino Palace and are surprised to see me. They say: he is walking; he has two eyes; he still has his ears, because the perception people have on the crisis is that it is a disaster, that the country is not working, that there is no country, that the president is more or less [words indistinct] in Narino Palace howling. That is not the truth.

The truth is that the country is working; that the economy is growing, despite its problems, by 4 percent, which is a figure that cannot be disregarded; that the parties and Congress are also working. The mystery disappears.

The problem is that they have mistaken the sick person for the disease, the government with the governability...

[Pombo, interrupting] I agree that if the people who are supporting you had access to the media, you would have no problems, which you really have. If the people who are supporting you had economic might, it would be another issue. However, it is a [words indistinct] since you have no means... [pauses] that is not the issue. The thing is that the meaning of what are you are saying is very difficult to comprehend.

Both Colombia and foreigners understand that there is a crisis in Colombia. The problem is to determine what is the magnitude of the crisis, what is its scope, what is true, and what decisions to make. However, we do not see [words indistinct] because the problem is that we are divided in half [words indistinct].

[Samper] No. I do believe there is a crisis. What I am trying to say is that the perception of this crisis that certain media have made public is completely distorted, not only regarding its magnitude but also regarding the minimum conditions [condiciones minimas] the crisis is triggering.

[Pombo] Okay. What would you think if we talked about the true magnitude of the crisis?

[Samper] Good.

[Pombo] We will do that in a few seconds. Do not go away. [commercial break]

[Pombo] Mr. President, let us find out about the magnitude of the crisis not because of [words indistinct] records but because of what you, as president, have said. You have been pursuing two formulas, both of which would imply [words indistinct] and your permanence in power as a solution to the crisis. One such formula is advancing elections, and the other one is to resort to a popular consultation to instill credibility in your mandate [words indistinct] process in Congress. The fact that these two formulas you proposed imply the only solution to the crisis means that the magnitude of the crisis... [pauses] What is the magnitude of the crisis?

[Samper] So that you would not spend so much time on the issue of withdrawing, say it directly. If I were aware that my resignation was a solution for the country, I would have withdrawn a long time ago. However, I am aware that it is not the solution, that it is not a solution advisable for the country. You are talking about solutions; well, there is a constitutional solution, the fastest solution.

Speaking of constitutional solutions, the fastest solution is for me to remain in power, for the government to stay. There are other solutions: the popular consultation, the [words indistinct] however, I will not talk about these solutions until the Chamber of Representatives issues a ruling, because I refuse to politically interfere in a legal decision.

[Pombo] That does not mean that you are not thinking about specific formulas different from the ones mentioned to resolve this crisis.

[Samper] I committed myself to resolve the crisis. Some understand [words indistinct] the solution to the crisis is the withdrawal of the government. That is false. I commit myself to resolve the crisis as soon as the process ends in the Chamber.

[Pombo] Some people say you want to [words indistinct] simply to stay. Is this true?

[Samper] How can you suggest that judges must abide by the proper proceedings, and at the same time kick the door right in the middle, which some sectors are trying to do? I do not think it is advisable to consider any political solutions as long as a decision has not been made, among other reasons, because the situation if I am condemned would be different than if I am not.

[Pombo] It is most likely that you will not be condemned at the Congress.

[Samper] It would be the logical decision, if there is going to be justice.

[Pombo] Beginning now, which factors will determine whether the government will stay or the country's course?

[Samper] My being able to guarantee the country's governability.

[Pombo] The question of governability is not whether you can stay in power but whether you can govern this country well.

[Samper] What do you think I have been doing for the past 12 months? Playing soccer? I have been governing. The problem is that [words indistinct]. Did you hear that in the past 12 months we passed a tax reform, solved the Agrarian Fund problem, lifted a peasants' strike in Huila Department, succeeded in establishing fundamental meaasures against smuggling?

But some people refuse to see what the government is doing. If they do not want to see, how can they see that problems are being solved?

[Pombo] No, because in a crisis like the current one it is evident and natural, and not only in Colombia, that adverse problems, which are big and different from one another, like the U.S. Government, [words indistinct], an adverse press, and very much divided public opinion ...

[Samper, interrupting] Let me give you a sociopolitical interpretation. Public opinion is split because we never went beyond the elections that separated Dr. Pastrana and myself. With the government are those who surely accompanied me during the elections and those who oppose the government are surely those who had sided with Dr. Pastrana. There are some sectors which, as you said, are qualitatively important because they can write, appear in the media, speak over the radio or the television. I admit that they oppose the government.

The truth is that we remain divided. Because of this, it would make no sense for me to make a sort of dismount with a somersault, leaving my friends hanging in the air, my friends who have been with me for the past 12 months.

[Pombo] Agreed, but you portray the situation as if in a common government in normal circumstances a society sector, [words indistinct], and with created interests could decide that a president with popular (?philosophies) is not good for the sector's interests and that it would be best to relieve him. It turns out that there is a serious problem, the introduction of drug trafficking money into the president's electoral campaign and that everything stems from this.

[Samper, interrupting] No, no, no. It is not that everything stems from this. The problem is that this is being used as an argument. Those accusations are being investigated by the corresponding authorities, and those responsible are being identified. No evidence has been found against me. It is an argument and an excuse used by various sectors to try to undermine the government. Why is it that when presidents have had a popularity rating of 17 percent and a negative opinion rating of 80 percent no one has asked them to leave?

[Pombo] Because the factors I have referred to were not present. During the installation of the congressional [word indistinct] you said you were willing to assume your responsibility for what appeared to be the infiltration of drug money into your campaign.

[Samper, interrupting] I said so on the basis that first of all it should be taken into consideration that I have never had any pacts with drug traffickers...

[Pombo, interrupting] That is clear.

[Samper] Proof of this is that all the drug traffickers are currently in jail. If I had any type of relationship with them, it would be an act of extreme masochism to put them in jail. Let me give you an example: You protect your house with locks and secure all the windows, but thieves manage to break in and steal your television set, and you are taken to the police station accused of robbery. That is exactly what is happening to me. I set ethical controls, establish limitations, reject any kind of relationship with drug trafficking money that supposedly infiltrated my campaign, which has not been proven. Nevertheless, I am accused of wrongdoing. It would be immoral for me to leave the government under those circumstances, as it would mean that I would be overthrown by the cartels and in the future anyone could issue a check to overthrow a government.

[Pombo] That is true. Here is another example: the German foreign minister detects a spy in his office and he takes full responsibility for the situation, even though he has nothing to do with it.

[Samper] That's an excellent example, as if Germany had a spy factory or as if spying was Germany's national sport. We are in a country where we are all affected by drug trafficking. You cannot say: Let's cut Samper's head off to see if drug trafficking stops infiltrating banks, tourism, and the various activities. I have not opened that door, but if necessary, it should be opened. What I want to say to the country is that we should not be hypocrites or pharisees. The country has been tolerating drug trafficking. We must seek a solution for all, not for me alone. I am not seeking one.

[Pombo] I agree with you, but the fact that we live in a drug-producing country cannot be an excuse to evade our responsibility. It seems to me that you are trying to minimize the crisis with a defense mechanism.

[Samper] No, on the contrary. Journalists are the ones who are maximizing the crisis. You attribute everything that is happening in the country to the crisis. Right now, if a child were injured by a falling brick in Barranquila, I would be blamed, according to the concept that the media has of the crisis.

[Pombo, laughing] No, the fact that you visualize a conspiracy, that you believe that drug trafficking is being used as an excuse to attack you reminds me of a phrase I heard from someone who said: [word indistinct] the possibility that what is happening to President Samper is part of a conspiracy [words indistinct], and their real interests are disclosed. We are not talking about conspiracies [words indistinct] people in black hoods who are going to arrive at midnight to kick me out of the Palace. We are talking about a sophisticated and complex conspiracy which we have learned is well-planned and has international links.

I do not believe it would be good for the country to finally remove a president who was elected democratically, a president who has recognized that drug trafficking is a problem, who has fought against drug trafficking, because of a conspiracy in which we do not know who is participating or what interests are behind it.

[Pombo] Mr. President, [words indistinct] dissolution of the central core of the government after the campaign. Three of the ministers are about ... [pauses] Is it possible that they will remain bogged down, neutralized? Minister Perry decided to leave, and some officials very close to your administration have also decided to leave. Is the core of Samperism crippled? [Samper] No, Roberto. This is the big difference between arriving in office by mere chance and having a political program. What I have is a political project on which I have been working for the past 15 years. It is a political project that gives priority to social issues. The people are still with me, despite all the problems we may be confronting, and the three ministers are still ministers, and this I can vouch for, and all are aware that we are engaged in a cause.

[Pombo] [words indistinct] the legal implication of the issue of the United States and the sanctions. In two words, are there individuals linked to our traditional political sector who are determined to destabilize you or not?

[Samper] I believe that with the United States, continuing the saying that good fences make good neighbors, we have the best opportunity to reconstruct our relations, but based on concrete foundations. In addition, I do not believe that there will be any sanctions as of that statement.

[Pombo] With respect to governability, which is a bit abstract, this will be an issue of which there will be much to talk about as of the moment when the case being handled by the chamber concludes. The discussion will deal with whether you can still continue to govern or whether the country will have a certain degree of stability that makes it governable with you or without you.

[Samper] Well, of course, I would much prefer a governability with me at the head. I hope this does not bother you, just as it does not bother the 56 percent of Colombians who believe in this issue. Governability means having an economy that performs adequately despite its problems. Governability means having all government institutions operating just as they have been operating during the past year. Governability means a close relationship between the government and the Armed Forces, just as we currently have. In my opinion, those are the real ingredients of what governability entails. Everything else is mere soap opera.

[Pombo] Mr. President, we still have the last issue of the military to discuss. This issue has been something of a closed circle. There has been much rumor of an alleged plot to overthrow you. Is it your opinion that this issue, if it materialized, would deeply affect the country's governability?

[Samper] It would not only affect it, but would literally kill it. However, I have a deep conviction with respect to the Armed Forces' democratic commitment. I believe they are carrying out their duties admirably, and are also tremendously misunderstood by some sectors. As president I am constantly being asked why the Armed Forces have been unable to control the guerrillas. This is not an easy matter. This is not the Napoleonic wars. The guerrillas tend to attack, hide, and camouflage themselves.

[Pombo] [words indistinct]

[Samper] I am beginning to rise. From the personal point of view, I have been living under a very difficult phase for the past 18 months. There are two things that have kept me going. One is the country's dignity. I have always believed that it is my duty to preserve the country over and above all. Two, my innocence and the profound conviction that regardless of the solution, which I am sure we are going to find, there must be a solution that involves us all, not just by being confronted as in this very cordial interview, but by working jointly for a better country.

[Pombo] Is it your belief that included among the solutions to this problem, is the likelihood that you may leave and [words indistinct]?

[Samper] I have not analyzed any single possibility. As I said before, I have never ceased to reflect on all of them. I have no intention of causing any harm to this country. If I were to believe that my resignation would help the country, I would have left a long time ago because, as relates to me and my family, leaving would be the best solution. However, I am not convinced that this is the best solution and neither are those Colombians who believe that the government has formulated a project for which it is worthwhile taking a risk.

What I seek is to convince those who are against the government that this is not a project that will affect, attack, or be negative for them. A country that is facing so many and pressing problems has the right to a second opportunity. As president and as a Colombian, I would be honored to lead that second opportunity and end the mandate for which I was elected by 3 million Colombians.

[Pombo] Well, Mr. President, thank you very much. My fellow viewers, thank you very much, and we meet again in eight days.

Colombia: Business Groups Issue Communique on Crisis

PA0505033996 Santa Fe de Bogota EL TIEMPO in Spanish 3 May 96

[Received via Internet]

[FBIS Translated Text] Business associations that believe they are not being represented at the National Business Council also would like to have their opinions heard.

They continue to insist, however, that their objective is to remain on the sidelines of any political pronouncements, because they believe their role should be exclusively economic.

These associations are not interested in organizing a fraternity as Alberto Bravo, president of the Colombian Pharmaceutical Industry Association (Asinfar), has claimed.

Nor are they interested in becoming a spokesman for the country's entire productive sector as Marcos Jara, secretary general of the Colombian Association of Textile Producers (Ascoltex), contends.

Nevertheless, these business associations yesterday issued a communique expressing their concern about the current political crisis and its effects on the economy and country. They asserted that an immediate but constitutional solution is critical.

According to these business associations, the most important challenge Colombia has to confront is how to apply the law in a vigorous manner as well as to restore the country's values.

They contend that without any detriment to their ability to carry out joint activities, the associations that agree to sign the communique will continue to maintain their autonomy and specific avenues of expression.

Some outstanding representatives of these associations include Enrique Rodriguez, of Ecogas; Maria Angela Talavera, of Asocueros [Colombian Leather Industry Association]; Dario Bustamante, of Andigraf; Ivan Amaya, of Ascoltex; Maria Isabel Silva, of Andiarios [Association of Colombian Newspapers]; Clara Maria Sanin, of Acuanal; Vicente Giodanelli, of AFIDRO [Association of Pharmaceutical Manufacturers]; and Saulo Arboleda, of Asomedios.

These associations insist that anyone interested in taking part in meetings to discuss purely economic issues will always find the doors open.

"We invite all business associations representing the productive and service sectors to work on consolidating unity and modernizing our network with the objective of encouraging the growth of our firms as well as that of the country," the communique adds.

Colombia: Political Expert Says Tone of Crisis Intensifies

PA0605224096 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1715 GMT 4 May 96

[From the "The Midday Newscast"]

[FBIS Translated Text] The tone of the political crisis is increasing dangerously, adversely affecting the nation. The cold shoulder some businessmen gave the president at the ceremony closing the banking convention in Cartagena is dangerous and does not resolve anything. On the contrary, said actions are further polarizing the conflict and give an advantage to foreign interventionist forces in the country. Political expert (Juan Gabriel Tokaklian) made the aforementioned remarks upon commenting on the ceremony held in Cartagena, where businessmen turned their back on the president and some left the building when the president began speaking.

The political expert stated that this further polarizes the debate and reduces the institutional possibilities to resolve this conflict in the country.

[Begin (Tokaklian) recording] My point, my argument is that... [nine-second break in reception] less unfortunate remarks... [two-second break in reception] should reflect on what... [one-second break in reception] role in a crisis that leads to a peaceful transition. Other social players should also do the same, including labor unions, nongovernmental organizations, and the media. I believe that... [two-second break in reception] the language because we are in a spiral where aggressive language is being used more each passing day. [seven-second break in reception] indicated he wanted a solution without winners or losers.

I believe that this will be... [two-second break in reception] because there will be winners and losers in this crisis. [end recording]

[four-second break in reception] as this political crisis... [two-second break in reception]... the United States will seek the fastest way to exert pressure in order to intervene further in this conflict. According to (Tokaklian), by June or next... [one-second break in reception] the United States will intensify the use of harder instruments against Colombia, based on the decertification. He specifically stated it is likely commercial measures against Colombia will be stiffened, in the framework of... [one-second break in reception] financial credits.

Colombia: Conservatives Split Over Crisis

PA0505160096 Santa Fe de Bogota EL TIEMPO in Spanish 4 May 96

[Received via Internet]

[FBIS Translated Text] The internal divisions within the Conservative Party are evident once more in view of the country's major problems.

The two main wings are the Conservative National Directorate, headed by Senator Jaime Arias Ramirez, and the independent line, known as "lenteja" [lentil — referring to the bible story of selling out for a bowl of lentils] in the past, which cooperates with the government. One of its leaders is Isabel Celis, representative of Norte de Santander Department.

While the independent group is preparing to hold a congressional meeting to chose its candidate for first vice president to the Chamber of Representatives, a move with which it plans to show it has a conservative majority, the official line is not willing to discuss any solution to the crisis that includes the continuation of Samper in power.

When asked his opinion regarding the position of former President Cesar Gaviria, who has said that the different liberal forces should agree on the proposals of a popular consultation and early elections, Arias said: "The Liberal Party, which is the party in power, has to solve this problem. President Gaviria knows that the Conservative Party has expressed its rejection of the three solutions proposed by the president."

"We reject the consultation, early elections, and a government of national unity headed by Samper. Gaviria is returning to what was known as the national spirit for decades. But we will not support him, because his proposed solution may work for the lay people and the Alliance for Colombia, but not for the Conservatives."

Colombia: Government Outlines Policy To Reactivate Economy

PA1305201296 Santa Fe de Bogota EL TIEMPO in Spanish 11 May 96

[Received via Internet]

[FBIS Translated Text] Economic growth in 1996 will be about 4 percent. The government maintains that the main priority will be lowering interest rates. It unveiled yesterday a package of measures to stimulate the national economy, as it acknowledged there are signs of a deceleration of the productive sector.

President Ernesto Samper Pizano announced the plan during the swearing in of new Finance Minister Jose Antonio Ocampo, who was named following Guillermo Perry Rubio's resignation.

During the ceremony held in the Narino Palace, the head of state noted that the slump in construction, high interest rates, and the crisis in the coffee sector can account for the deceleration of production. He added, however, that despite these economic factors the economy's growth this year will be more than 4 percent.

For that reason, he invited the prophets of doom to believe foreign analysts and experts "who often seem to have greater faith in Colombia and its possibilities of progress than us."

Samper insisted that the pessimistic prophecies did not come true and are not going to and noted that "we are not going to let the economy go into a recession while we idly stand by."

One of the issues to be stressed is lowering the interest rates, which, according to the government, constitutes one of the main reasons for the economic deceleration.

Objectives

The following objectives can be found within the reactivation plan:

— Contraband will be punished and the DIAN [National Customs and Tax Directorate] functions will be separated again.

— New safeguard clauses will be announced to protect sensitive sectors of national production and new antidumping rights will be imposed.

— The IFI [Industrial Development Institute] and Bancoldex [Bank of Foreign Trade] will lower their charges as middlemen for preferential loans associated to specific reactivation projects and will earmark 700 billion pesos for private sector loans.

— Loans will be expanded to capitalize businesses with terms of up to seven years and to build infrastructure projects with terms of up to 15 years.

— The Banking Superintendency will grant easier access to financial resources to bankrupt companies that have reached agreements with their creditors to improve their classification.

— The Agrarian Bank will extend its rural loans benefits to small-scale users.

— Inurbe [National Urban Reform Institute] will concentrate its resources toward financing new housing and will earmark an additional 131,000 billion pesos for that purpose. By buttressing financial entities, it is hoped that

700,000 billion pesos will be obtained to finance low-income housing.

Finance Minister Jose Antonio Ocampo affirmed that the government is committed to maintaining the current tax levels and that there will be no new tax reform as the one that began to be implemented this year.

Regarding the so-called war tax that the president announced to buttress the Military Forces, he said that a measure of this kind requires study and that his ministry will assess it.

Ocampo noted that the strategy for economic reactivation involves lowering the interest rates, reactivating construction, protecting the sectors hurt by contraband, and reaching sectorial agreements on competitiveness. He affirmed that this program does not entail major expenditures.

Colombia: Attorney To Ask for Closing Case Against Samper

PA0505163596 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 3 May 96

[Report by Javier Contreras; from "The Latest News" newscast]

[FBIS Translated Text] Luis Guillermo Nieto Roa, President Ernesto Samper Pizano's attorney, has postponed until Monday, 6 May, the rendering of his closing arguments in the process being conducted at the Accusations Committee of the Chamber of Representatives against the head of state.

Radio Cadena Nacional, however, learned that it is a 100-page document in which Nieto Roa will refute one by one the charges brought against Ernesto Samper by Prosecutor General Alfonso Valdivieso Sarmiento on 14 February of this year. As he refutes the evidence contained in the process against Samper, Attorney Nieto Roa will note in his closing arguments that there are no merits to accuse President Samper before the Senate and will ask for a ruling ordering the case to be closed [fallo de preclusion].

The lawyer will also hold former Defense Minister Fernando Botero Zea and Santiago Medina, former treasurer of Samper's electoral campaign, responsible for the possible infiltration of drug trafficking money into the campaign. He will also ask the Prosecutor General's Office to investigate the personal accounts of Fernando Botero Zea and Santiago Medina.

It was also learned that next Monday, once he submits his closing arguments before the Accusations Committee of the Chamber of Deputies, Luis Guillermo Nieto Roa will hold a news conference to explain this document in detail.

Colombia: Measures Against 'Money Laundering' Viewed

PA0605182596 Santa Fe de Bogota EL TIEMPO in Spanish 4 May 96

[Report by Jacqueline Guevara Gil from Cartagena; received via Internet]

[FBIS Translated Text] Due to increased suspicious operations detected in certain financial entities, the Banking Superintendency will reinforce preventive measures and will punish money laundering more drastically.

One possibility the superintendency is contemplating is to demand that financial entities that do not have sufficient protection against crime, create a reserve allowance to offset their exposure to this risk. The idea is to try to use the fines collected by the superintendency in the financial institutions themselves for protection programs against money laundering.

According to the superintendency, it is necessary that the financial system exert greater vigilance on the collection of resources in view that it is concentrating efforts on active operations, leaving aside passive operations.

This request is in the same vein as reports by the Office of the Prosecutor General of the Republic which warn that reinforced controls are needed on bond operations, savings deposits, CDT [time deposit certificates], trust funds, and stock brokers.

While speaking before the 31st Banking Convention, Banking Superintendent Maria Luisa Chiappe warned that they are working on an intensive inspection visit plan, reviewing cash reports and information from the Prosecutor's Office on money laundering.

Prevention Programs

In a speech read by Miguel Arango, Banking Superintendency delegate for the financial entities, he announced that a system against money laundering, which emphasizes preventive work, is in force.

"The system must adequately protect itself against the laundering scourge, not only for ethical and moral reasons, but because there is a financial risk that cannot be underestimated," the officer remarked while recalling that six banks have already been punished for not reporting suspicious operations.

The Banking Superintendency can levy fines, request the removal of officers involved, and even take over the financial institution.

In addition, the superintendency can open a penal process in the event of a laundering crime. It is for this reason that she insisted on preventive measures when stating that no financial entity is exempt from this "virus."

Chiappe quoted the president of a bank, a victim of this scourge, who said that "when the money reached the bank it had already been washed, starched, and ironed."

This incident corroborates the fact that the illegal assets reach Colombian banks "prewashed abroad," which is the reason all controls need to be reinforced, not only on cash operations.

There Will Be Cooperation

The financial system, in turn, reiterated its cooperation with the authorities and control organizations. Asobancaria [Banks and Financial Institutions Association] President Cesar Gonzalez Munoz, gave assurances that they will continue applying codes of conduct and reporting irregular operations to the Prosecutor's Office.

Bogota Stock Market President Carlos Caballero Argaez said that although he is concerned by the prosecutor's statements, he is convinced that laundering operations do not take place through stock markets or brokers. "With the evidence and information I have, I am capable of sticking my hand in the fire for the stock brokers," he said.

Colombia: Military Pleased With Allotment of Funds

PA0405044596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 2 May 96

[Report by Carlos Gomez Herrera; from the "Midday Newscast"]

[FBIS Translated Text] Santa Fe de Bogota — The military forces today stated that they are pleased with the government's decision to give them a considerable sum of money from the national budget to counter effectively the various types of violence in the country. General Manuel Jose Bonnet Locarno, military forces inspector general, has commented on the issue:

[Begin Bonnet recording] We are very happy, because all we see in the newspapers is criticism and more criticism and statements that we should change our strategy and get another Army. Someone has said we should bring mercenaries, etc. Everyone talks about this, but no one talks about money. We have finally been told that this was authorized for the Air Force and one of the Army's most urgent needs; that is, its mobility. [end recording]

The military forces inspector general, Bonnet Locarno, also has said he will begin a tour next week and visit the various units in our country to inspect the activity of the troops.

Ecuador

Ecuador: Officials To Define Proposals for Peru Negotiations

PY1505015596 Quito Voz de Los Andes in Spanish 2300 GMT 14 May 96

[FBIS Translated Excerpt] One day after the representatives of the guarantor countries of the Rio de Janeiro Protocol meet in Brasilia on 15 May, the support group made up of Ecuadoran Government officials will meet in Quito to define the proposals Ecuador will take to the upcoming negotiations to find a definitive solution to the border problem with Peru.

The two meetings go along with the Ecuadoran will to find a definitive solution to the conflict with Peru, in peace and without the need to resort to military force as it should be with civilized people now that we are on the doorsteps of a new millennium.

Brazilian Ambassador to Ecuador (Osmar Chopi) said that the guarantor countries of the Rio de Janeiro Protocol are satisfied with the meeting to be held on 15 May in Brasilia. He said that the meeting is basically aimed at making an evaluation of the peace process one and one-half years after the military conflict between Ecuador and Peru. [passage omitted]

Ecuador: Presidential Hopefuls on Need for Structural Reforms

PY1405170096 Madrid EFE in Spanish 0908 GMT 14 May 96

[By Gonzalo Solano]

[FBIS Translated Text] Quito, 12 May (EFE) — The nine candidates for the Presidency of Ecuador in the forthcoming 19 May elections have agreed on the urgent need to modernize the country by changing the economic and political structures.

Fabian Corral, economic analyst and president of the Quito Chamber of Commerce, has told EFE that in their government plans, the candidates acknowledge the need to "modernize the state structures and reorganize the state economy."

Corral said that in the current situation, the future president of the Republic who will assume office on 10 August 1996 will have to implement policies leading to the country's stabilization, keep the inflation rate at tolerable levels, and favor an economic transition "with no problems."

Concerning measures made publice so far by the candidates for the Presidency to face the economic problems, Corral said that the government programs are simply "verbal" because they do not fully take into consideration the country's current situation.

Among the problems the new government will have to face are an annual inflation rate of approximately 25 percent, interest rates above 60 percent for credit, and an unstable exchange rate that amounts to an average of 3,125 sucres per dollar.

The outgoing government is leaving a deficit of 0.9 percent of the GDP caused mainly by a number of salary increases granted to several sectors over the past few months, although the financing for this was not included in the state budget.

Corral said that the changes intended to modernize the country must be implemented immediately to attract foreign investment, and not only the so-called "speculative capital."

To favor the entry of foreign capital, "we must have clear rules," both in the tax system and in the fiscal area and investment incentives, Corral said. He added that "change in the public investment policy," which thus far has been considered paternalistic, is imperative.

Stock market analyst Jeronimo Davalos told EFE that the government programs of the four candidates with better chances to reach the Presidency do not thoroughly analyze the essential problems such as reduction of the bureaucratic apparatus, promotion of private companies, and privatization programs.

According to polls, Jaime Nebot, of the Social Christian Party, is one of the favorite candidates, although he does not have sufficient votes (51 percent) to avoid a runoff on 7 July with the candidate receiving the second highest number of votes. Second place is disputed by Abdala Bucaram of the Roldosist party, former Quito Mayor Rodrigo Paz, and journalist Freddy Ehlers. The other candidates — former Defense Minister Jose Gallardo, retired General of the Air Force Frank Vargas, Independents Jacinto Velasquez and Ricardo Noboa, and leftist Juan Jose Castello — have only a minimum percentage in the Ecuadoran polls.

Jeronomo Davalos said: "The programs are consistent, filled with good intentions, and feasible, but nothing will happen without a legislative branch that supports the government."

The political reforms that are necessary for the next administration can be achieved by way of a referendum, which traditionally has not had the support of the people or of the national Congress.

The executive and the legislative branches used to engage in useless political disagreements, solved by mutually blocking the proposals or important laws for the country's development.

According to some experts, the solution to this problem would be to increase the president's decisionmaking power, but that could only be achieved through a referendum or a Constituent Assembly, as proposed by two of the candidates with greater chances of winning the 19 May elections.

Thus, the country, to be governable, must have the national congressional deputies elected in runoff elections, because the current system makes it practically impossible for the president, who is usually elected in a runoff election, to have the congressional majority necessary to govern the country.

Ecuador: Security Measures During Elections Outlined

PY1505012696 Quito Voz de Los Andes in Spanish 1700 GMT 14 May 96

[FBIS Translated Text] General Marco Inojosa, commander general of the Ecuadoran Police, has outlined the Operation Democracy the Ecuadoran National Police will conduct to guarantee the electoral process on Sunday, 19 May.

[Begin Inojosa recording] I have reported that 322 chiefs, 940 officers, and 13,498 members of the police from all district and provincial commands have been deployed and distributed throughout the country to guarantee the electoral process, in coordination with Armed Forces personnel.

We as an auxiliary force have prepared and depend on a centralized plan through which we have been entrusted with specific national police tasks. A total of 14,760 men will participate in these operations.

There will be strict control of the civilian population on this election day in order to guarantee their safety while moving to and from the voting stations. These voting places will also be protected, and police personnel will act outside the voting stations together with student brigades for traffic control. They will be working in giving information and imposing order.

There will be restrictions and limitations to traffic of vehicles in order to guarantee the normal development of the electoral activities. The voting stations will be protected during and after the elections.

There are also recommendations and limitations that must be recalled: the sale of alcoholic beverages will be forbidden 36 hours before the beginning of the electoral process and 12 hours after the conclusion of the process. There will be free interprovincial bus service. All highways of the country will be under control.

There are also some prohibitions of which the people must be aware: On that day it is forbidden to do electoral campaignin; to carry firearms; to go to the voting stations to exercise their right to vote in state of drunkness; and to wear clothes carrying symbols of political parties or movements that are participating in the elections.

The social communications media will enjoy preferential treatment to help them fulfill their mission adequately. [end recording]

[Quito La Voz de los Andes in Spanish at 2300 GMT on 14 May says that about 35,000 members of the Armed Forces and Police will participate in the "democracy operation to watch over the general elections next Sunday." The operation includes 20,000 members of the Armed Forces who have been mobilized for the elections. The report adds: "Military sources said that on election day there will be two Armed Forces members watching each ballot box" adding that the Armed Forces will also help distribute electoral material to the provincial electoral courts and watching over the voting stations.]

Ecuador: Armed Forces To Remain Aside From Electoral Process

PY1405180996 Madrid EFE in Spanish 1102 GMT 14 May 96

[By Susana Madera]

[FBIS Translated Text] Quito, 14 May (EFE) — The Ecuadoran Armed Forces have been declared "overseers of democracy" and vowed to remain aside from the electoral process slated for 19 May, in which two retired generals are running for the Presidency of the Republic.

Colonel Jose Larrea, director of the association of retired Armed Forces officers, has told EFE that "members of the Armed Forces on active duty are only limited to maintaining order and guaranteeing the normal development of the electoral process, but retired officers have the right to vote and to give their personal opinion."

Retired military officers can give their personal opinion and participate in the electoral process like any individual, Larrea said, thus justifying the candidacy of two retired generals to succeed Ecuadoran President Sixto Duran-Ballen.

General Jose Gallardo, former defense minister of the current administration, wants to reach the Presidency as an Independent candidate in accordance with a constitutional amendment that allows any citizen to be a candidate in the elections, whether or not he or she belongs to a political party.

Moreover, retired General of the Air Force Frank Vargas Pazzos wants to reach the Presidency with the support of the Ecuadoran Revolutionary Popular Action (APRE), although the polls do not give him much hope in his attempt to reach the presidency.

Unlike Gallardo, who is a "beginner" in electoral matters, Vargas Pazzos joins this electoral race after having participated in elections on two previous occasions, as presidential candidate and as national congressional deputy for the province of Pichincha during the 1994-96 period.

Last month the Armed Forces were forced to issue an explanatory communique in which they rejected any attempt to involve military officers on active duty in the electoral process, using as pretext the territorial issue between Ecuador and Peru.

This complies with the rejection by several political sectors and negative comments by retired officers regarding the participation in the elections of Freddy Ehlers, son-in-law of Jorge Morelli Pando, former deputy foreign minister and one of the best-known Peruvian diplomats in Lima.

In fact, presidential candidate Freddy Ehlers, husband of Malu Morelli, has been bitterly criticized for the nationality of his wife, who, in the event of Ehlers' victory, would become the first lady of this nation, which has a historical dispute with Peru.

The territorial conflict over the common Amazon border area without border markers has led the two countries to wage three wars over the past half century. The last war was waged between 26 January and 28 February 1995.

Ehlers' opponents and followers have issued comments that range from accusations of treason to the fatherland to praise of his being an example of Latin American unity and the desire to project the integration of the Ecuadoran-Peruvian marriage to binational interests.

Ecuadoran Defense Minister General Alfonso Alarcon, retired, and the Armed Forces have stated that they will not allow anyone to involve them in the electoral campaign of this Andean country. This warning was also issued because Christian Democratic Party candidate Rodrigo Paz had said that "there is concern" within the

Armed Forces over the possibility that Ecuador could have a Peruvian first lady.

"The wife issue concerns the candidate alone and it is an aspect that has nothing to do with the elections," Larrea said, and added that "otherwise, we must think in terms of the woman who wants to become a wife from the time she is very little, just as happens when one wants to become president in the future."

Larrea attributed to a "political dispute" the fact that Morelli's nationality is being used as an obstacle for Ehlers to gain the Presidency.

In fact, the wives of the retired generals published a communique in the press entitled: "Ecuadoreans: Beware.... The annoyance prevails," and asked Ehlers to give up his candidacy because of his marital links.

The wives, grouped in the so-called National Dignity Front, which supports Gallardo's candidacy, stated that because of his wife's nationality, Ehlers "deserves the distrust of and scant credibility among the people and their institutions in terms of defending sovereignty and safeguarding, without any type of concessions, national security."

To these continuous criticisms, Ehlers has defended himself with the same coin, and has stated that his wife will not adopt this country's nationality, but she "has two Ecuadoran sons and she loves this nation as her own land."

Ecuador: 'Tense' Atmosphere on Eve of Elections

PY1505032196 Madrid EFE in Spanish
1729 GMT 14 May 96

[FBIS Translated Text] Quito, 14 May (EFE) — Charges of electoral fraud and a series of irregularities in electing the members of the polling stations has created a tense atmosphere among the Ecuadoran citizens five days from the general elections.

Independent presidential candidate Ricardo Noboa reported an alleged electoral fraud by the Ecuadoran Roldosist Party (PRE), whose candidate to the presidency is populist Abdala Bucaram.

According to Noboa, the Guayas Province Electoral Court is responsible for "the greatest electoral fraud of the past few years," because the members of the polling station do not meet the administrative requirements and this will create confusion on 19 May.

Noboa asserted that, due to that "confusion," the members of the polling stations will be "improvised" members, "and most of them will belong to the PRE and the Social Christian Party (PSC)."

Christian Socialist Jaime Nebot is the most favored candidate although only by a margin, not large enough to avoid a runoff with the second most-popular candidate. Independent candidate Freddy Ehlers, populist Abdala Bucaram of the PRE, and Rodrigo Paz, of the center leftist Popular Democracy Party are vying for second place.

More than 6.6 million Ecuadorans have the right and duty to go to the ballot boxes on 19 May to elect the president and vice president of the Republic as well as the main public posts elected by the people in the Ecuadoran provinces and municipal districts.

Moreover, some people who have been notified they will be members of the electoral boards in Guayas Province — the most populated in the country — have reported "serious difficulties" in obtaining their credentials, while others have surprisingly found their names registered in two or more electoral boards.

Spokesmen of the Supreme Electoral Tribunal (TSE), in statements to EFE, today dismissed the possibility of an electoral fraud but admitted the existence of "difficulties" in electing the members of the electoral boards although they said these problems would be solved in the next few hours.

Not only the administrative shortcomings have annoyed the people. During the past few hours the supporters of the various candidates have launched all sorts of mutual accusations, in what is regarded as the "last attacks" of an electoral campaign that will definitely end on 16 May.

The Ecuadoran New Country Movement on Monday, 13 May, reported the existence of a document falsely attributed to the Chilean Defense Ministry that seeks to link the government and Peruvian President Alberto Fujimori with the campaign of presidential candidate Freddy Ehlers.

Francisco Borja, chief of the New Country Movement's electoral campaign, told EFE that "it is a report allegedly signed by the Chilean Defense Ministry allegedly establishing links between the Peruvian Government and president with Freddy Ehlers' campaign."

Roberto Pizarro, Chilean ambassador to Quito, in a letter addressed to Ehlers on 13 May, to which EFE had access, denied that his government has anything to do with the mentioned report.

This is the opposition's second greatest attack against Ehlers due to the nationality of his wife, Malu Morelli, which is gradually less talked about, but not forgotten. Morelli was born in Peru, a country with which Ecuador maintains a long-standing territorial dispute that has led them to three wars in the past 50 years.

Military officers in the reserve and even some politicians have requested Ehlers to step down because they believe the nationality of his wife, who would become the president's wife if he wins the elections, represents a threat to the country.

While charges of irregularities regarding the electoral process continue to be made, the candidates are closing their campaigns one by one in different cities, some with musical festivals, others with large motorcades, but all chanting the same phrase: "We are sure we will run the government."

Ecuador: Board Detects Irregularities in Electoral Process

PY1105004596 Quito Voz de Los Andes in Spanish 2300 GMT 10 May 96

[FBIS Translated Excerpt] The Ecuadoran Supreme Electoral Board [TSE] is trying to correct the irregularities detected in the process prior to the general elections slated for 19 May 1996.

Francisco Vaca, chief of the TSE public relations department, has said that one of the main difficulties encountered by the TSE refers to the lists of voters, in which citizens having two ID cards have been detected, and also in which inclusion of deceased people and of others living abroad has been noted. Vaca did not specify the margin of error existing in the lists. [passage omitted]

Armando Cazar, president of the Pichincha Provincial Electoral Board, said today that in this province the electoral board has detected some 45,000 transactions referring to changes of residence and new registrations, which are not included in the list, according to the National Communications Secretariat.

In Guayas, the most populated province in Ecuador, the police have found 23 ballot boxes and several pieces of electoral material in a private home. Jose Galvez, president of the Guayas electoral board, has ruled out the possibility that these ballot boxes and material were to be used in the upcoming elections. [passage omitted]

Three Ecuadoran presidential candidates — Rodrigo Paz, who is running for the Popular Democracy Party; Abdala Bucaram, for the Ecuadoran Roldosist Party; and Independent candidate General Jose Gallardo — are scheduled to conclude their campaigns today in Quito. Juan Jose Castello, candidate for the Democratic Popular Movement, already closed his campaign yesterday. [passage omitted]

Paraguay

Paraguay: New Foreign Minister Details Policy Goals

PY1505001996 Asuncion ABC COLOR in Spanish 11 May 96 p 5

[FBIS Translated Text] Ruben Melgarejo Lanzoni, 34, was installed as foreign minister replacing Luis Maria Ramirez Boettner, 78, at noon yesterday. The ceremony took place at the Foreign Ministry's Hall of Ceremonies. First Lady Teresa Carrasco de Wasmosy attended this ceremony. Melgarejo swore in at Government House at 1100.

The new foreign minister told Paraguayan officials that he will work in two fronts: externally, in the field of foreign policy and internally, in order to adapt the operation of the ministry to the characteristics of modern diplomacy.

In the area of foreign policy, Melgarejo promised to strengthen Paraguayan relations with the international community, giving priority to the promotion of investments and exports with the opening of markets, the transfer of technology, and scientific and cultural cooperation. Melgarejo said he will promote the social and economic development of the country to shore up the process and consolidate democracy.

He committed his good offices to defend and improve the exploitation of shared river and energy resources and the preservation of the environment. The new foreign minister said he will cooperate with other governments in the fight against drug trafficking, commercial piracy, corruption, and related crimes.

Melgarejo said he will emphasize the active participation of the country in Mercosur [Common Market of the South], protecting its interests, pursuing its objectives, and contributing to the economic bloc's efficient interrelation with other similar blocs such as EU, NAFTA, etc.

Internal Organization

Melgarejo Lanzoni promised to elaborate and implement new internal regulations, establish the so-much desired personnel grade system, evaluate the new system's operation and introduce changes in order to adapt the work of the Foreign Ministry to our multiple daily demands.

Melgarejo said that he will reactivate the Consultative Council created by Law 211 of 20 June 1993 as a ministry advisory organ. The new minister finally commented that he will take steps to amend Law 219 creating the diplomatic and consular career, adapting it to the Constitution and the new international reality.

It was confirmed yesterday that Antonio F. Lopez Acosta, vice minister for International Economic Affairs will continue in his post while Laila Rachid Lichi will replace Vice Minister Luis Enrique Chase Plate. The third vice minister, Jose D. Zanotti Cavazzoni, submitted his resignation.

Paraguay: President Wasmosy Installs New Private Secretary

PY1405160496 Asuncion NOTICIAS in Spanish 14 May 96 p 13

[FBIS Translated Excerpt] Dr. Miguel Angel Ramirez was installed on 13 May as the new private secretary to the president of the nation. He replaces Dr. Ruben Melgarejo Lanzoni, who took over the Foreign Ministry. [passage omitted]

On the occasion, President Juan Carlos Wasmosy clearly indicated his preference for younger people. He hinted that recent cabinet changes are aimed in that direction by stressing that just as he has bet on his fatherland in all his private activities, he is "now betting on our young people to deal with the political, social and economic situation of the country." [pasage omitted]

Peru

Peru: Daily Urges Caution During Talks With Ecuador

PY1505013396 Lima CARETAS in Spanish 11 May 96 p 22

[Editorial: "Remain Alert"]

[FBIS Translated Text] Developments over the past few weeks — among them the revival in Argentina of the scandal over the sale of weapons to Ecuador and the discovery in Peru of a case of espionage at the behest of the Ecuadoran Government — should prompt Peru to conduct its talks with Ecuador carefully.

The normalization of relations has stagnated. The Peruvian Foreign Ministry has still not received an answer to the official invitation to Ecuador to resume the dialogue in Buenos Aires. This is the case, even though, according to EFE, a high-ranking Argentine Foreign Ministry official has confirmed that the foreign ministers of Peru and Ecuador will meet in that capital in mid-June.

It should be pointed out that even that meeting — if it is held soon — will be an unimpressive step because its objective is to establish the procedures for subsequent talks on subsistent impasses, which are the real key issue that must be resolved.

Anyhow, while we wait for the current inertia to run out, the Peruvian authorities and public opinion must remain alert to lateral, but no less important, aspects related to the problem.

Next week, during a meeting of the guarantor countries in Brasilia, the activities of the third phase of the Ecuador-Peru Military Observers Mission (MOMEP-3) will be assessed and determined. Due to the relative calm which the MOMEP authorities say prevails in the zone where the conflict took place in the summer of 1995, the issue could hardly be a problem.

However, there are reasons to believe that Ecuador is pressuring for MOMEP-3 to expand its geographic radius to include areas beyond the demilitarized zone as it was initially agreed.

Diplomatic sources consulted by GESTION have even stated that Ecuador may condition the start of talks on key issues to the approval of a new Definition of Procedures for MOMEP-3, which would include the mentioned expansion.

What would the expansion of the military observers functions entail? First, one must remember that the Ecuadoran proposal includes the evacuation of Peruvian border posts between the demilitarized zone and the Yaupi-Santiago river confluence.

Ecuador proposes that MOMEP activities be carried out in a bigger area, which would include any Peruvian installations near the demilitarized zone. That task includes air inspections in which a Peruvian and an Ecuadoran military officer will always participate. This obviously harms national security because Ecuador will get to know, through its MOMEP representative, the location of Peruvian posts which, it should be reiterated, are outside the demilitarized zone as it was originally agreed.

For the time being, a delay in the peace process seems inevitable. It was already decided in Ecuador to not discuss key issues before the general elections scheduled for 19 May. Thus, for the time being, the work program resulting from the Itamaraty Peace Declaration needs to be safeguarded so as to prevent basic instruments like MOMEP from being distorted. New incidents that may unnecessarily delay the process must be prevented.

Peru: MOMEP Warning to Ecuador on Mined Area Maps Reported

PY1405184396 Madrid EFE in Spanish 1829 GMT 13 May 96

[FBIS Translated Text] Lima, 13 May (EFE) — According to the daily EL SOL today, the members of the

Ecuador-Peru Mission of Military Observers (MOMEP) have demanded that Ecuador hand over, on 13 June, the maps of the border zones mined during the conflict with Peru in early 1995.

Peruvian military sources told EL SOL that the demand made by military chiefs of the guarantor countries, through a communique in writing, was due to the fact that Ecuador has failed to honor its offer in early April, in Lima, during a meeting with the MOMEP consultation committee.

On that occasion, Ecuadoran liaison officer Colonel Cesar Durand Abad asserted that his country had hired the services of the French company Consultora France "to carry out a survey of fields where mines" had been planted on the border with Peru, during the conflict waged from January to February 1995.

However, more than 30 days later, the offer made by the Ecuadoran liaison officer has not materialized. Moreover, according to the source quoted by EL SOL, it was "deceitful."

The military spokesman stated, after a series of investigations in France to determine whether that enterprise really existed, that it was determined the company was not registered in the Paris trade registry and that it did not exist as such.

EL SOL also reported that the MOMEP allegedly determined that Ecuador "has not and is not" negotiating with any company to deactivate the mines. Therefore, the communique sent to the Ecuadoran Government has the nature of a "threat."

Ecuador was given a deadline of 13 June to deliver the report; that is the date the Consultative Committee, comprising military chiefs of the guarantor countries (Argentina, Brazil, Chile, and the United States) will meet in Lima to assess the MOMEP-3 performance during the third phase.

The military source told EL SOL that the Ecuadoran soldiers were the ones most affected by the planting of mines. Following the conflict, some 20 Ecuadoran soldiers died as a result of the explosion of mines. Peru lost five military officers for the same reason.

The Ecuadoran authorities admitted having planted 80,000 mines along the Ecuadoran-Peruvian border, of which some 20,000 to 30,000 have still not been deactivated. It costs some $300 to $1,000 to deactivate a mine that costs only $3.

Peru: Menem Government 'Undoubtedly' Involved in Arms Sale

*PY1405013996 Lima EXPRESO in Spanish
10 May 96 p A31*

[Commentary by Patricio Ricketts Rey de Castro: "Menem at Fault"]

[FBIS Translated Text] It should be said flatly: President Carlos Saul Menem is at fault, at great fault with Peru, with the American and European public opinion, and obviously with Argentina that, far from endorsing it, condemns the shameful clandestine sale of weapons to Ecuador during the Cenepa war. The River Plate government was undoubtedly involved in that sale.

If the Argentine chief of state was not aware of the despicable dealings in which the military industry was involved, in favor and at the same time against Prodefensa Company of Ecuador, when they took place, he is now aware as the rest of the world is of all the details. However, he continues to talk as if he had known nothing about this during the past 15 months. He repeats the clumsy arguments used right from the beginning: the unbelievable yarn of the Venezuela "triangulation," the fact that the government officials did not know the true identity of the Ecuadoran purchaser, and even the great farce of a "contraband" that gives the case a touch of cynicism. This stance is inadmissible. If the Peruvian Government chooses to be prudent, we accept its reasons for doing so. But there is no reason why public opinion should remain silent. There is no reason why it should not say it feels offended, to say the least.

President Menem should have put a full stop to this problem a long time ago in the only feasible manner: by decidedly upholding the truth and accepting that principles have been violated in order to sanction, in an exemplary manner, the crooks — from [Defense Minister Oscar] Camilion down — who, in addition to offending Peru and tarnishing Argentina's international prestige, swindled Ecuador with an obscene operation, typical of a cowardly thief. That is what Menem should do. What we all expect to see is his political shrewdness.

More than one year ago, Argentine journalism honored national dignity and the old-standing and deep-rooted friendship with Peru. A team of the CLARIN daily amazingly uncovered an official fabrication, for which one of its members not long ago received from King Juan Carlos the Spanish King award. Justice is doing its duty. So is Congress, where Camilion was questioned, not only by the opposition but also by the majority bloc.

This whole moralizing wave leaves Camilion, and even Menem, who more than anybody, should stand up for the sake of Argentine decency, without credibility. The crimes should, opportunely, be sanctioned appropriately. That is what the judicial branch is for. But the political sanctions cannot wait any longer: Camilion must go. In the best of theories, in the first place he is responsible for neglect and then of concealing the crime.

This case is a fact. There is plenty of overwhelming evidence. There is not a slightest bit of doubt about it. The only surprising thing is the clumsy manner in which it was carried out. One could even believe that it was all organized to stir up an unavoidable and almost immediate scandal. This is what makes the case a real mystery. The obsolete weapons that Military Industries sold, without resorting to its own supply, were of little use to Ecuador. But the operation managed to undermine the relationship between Peru and a guarantor friend. I wonder if in this regard there was any triangulation yet to be discovered.

Peru: Government Releases Letter To Be Signed With IMF

PY1105003096 Madrid EFE in Spanish 2031 GMT 10 May 96

[FBIS Translated Text] Lima, 10 May (EFE) — The Peruvian Government today released the letter of intent it will sign soon with the IMF, which includes economic, financial, and social policies to be implemented in the country between April 1996 and 31 December 1998.

The government's main economic objectives for the 1996-98 period seek an inflation rate between 9.5 and 11.5 percent and a GDP growth of 3 or 4.5 percent to more than 6 percent, according to the document released by Government Palace.

The government of President Alberto Fujimori promises, during that period, to continue making efforts to reduce the extreme poverty, to increase expenditures for education and health, and to strengthen programs to protect the poorest sectors.

It was reported that the 1996 program contemplates revenues of $1.5 billion obtained from the privatization of public companies, and affirms the process of selling units of the state petroleum company, which will be concluded by June 1997.

The sale of the Pampilla Refinery Plant (Lima), the petroleum research fields 8/8X and 10/11 (jungle), and the Talara refinery plant (north of Piura) is scheduled for this year; the petroleum plants are slated for the last quarter.

It adds that concerning the public sector, Peru wants to request a reduction of the debt to official bilateral creditors of the Paris Club "in terms consistent with a progressive return to the possibility of again receiving foreign credits in 1998."

To supplement its own resources in financing the operation, the government will ask for financial support from the IMF, the World Bank, the Inter-American Development Bank (IDB), and financial institutions from other countries, and adds that it will timely service debts to international financial institutions and creditors of the Paris Club, and to other creditors with which payment agreements have been reached.

Another objective outlined by the Fujimori administration is to strengthen trade reform to promote competitiveness of the Peruvian economy by promoting exports.

The other project is to increase total investments from the figure of 24 percent of the GDP obtained in 1995 to 25.5 percent in 1998, based on large private investments in the mining and energy sectors.

The draft copy of the letter of intent that must be signed with the IMF states that the government will promote the strengthening of net international reserves from the Central Reserve Bank (BCR), which will promote the achievement of the inflation and balance of payments goals. An increase of the net international reserves of $597 million in 1996 is also expected.

The government will continue implementing a flexible exchange policy with intervention by the BCR in an effort to moderate temporary fluctuations in the exchange rate, among other measures.

Venezuela

Venezuela: Colombian Guerrillas Seek Peace With Venezuela

PA1005215396 Caracas EL UNIVERSAL in Spanish 5 May 96 p 1-21

[FBIS Translated Text] Caracas — The Revolutionary Armed Forces of Colombia [FARC], which call themselves the "People's Army," reiterated their decision to maintain a policy of peace in the border region between Colombia and Venezuela.

In an open letter addressed to Venezuelan political authorities and news media, which was written by the Diplomatic Political Commission of the FARC-EP [Revolutionary Armed Forces of Colombia People's Army] and dated 3 May 1996 in Mexico City, the Colombian insurgent group pointed out the following:

"Peace characterizes our border with Venezuela. We will not encourage a confrontation with the Venezuelan Armed Forces. We will never engage in a war between Bolivarian brothers."

In its letter, the Colombian guerrilla group stated that "in its strategic deployment," it "has extended over the entire national territory and it is moving toward the country's main cities." It went on to explain that "this military and political development does not constitute a threat to neighboring countries, whose people we consider to be our brothers and whose governments we expect to remain neutral."

While it reiterated its policy of peace with the neighboring nations, the Colombian insurgent group harshly criticized the diplomacy of its own country and that of the United States.

"The FARC-EP has proclaimed that our plans and strategies do not include a conflict with the armed forces of neighboring countries. We do warn that Colombian and U.S. diplomacy has been working to involve the Ecuadoran and Venezuelan armies in the counterrevolutionary war that the Colombian state has thus far waged unsuccessfully."

The guerrilla's communique seems to be a response to the proposal made by U.S. Secretary of Defense William Perry for international cooperation to fight Colombia insurgency.

"When U.S. Secretary of Defense William Perry passed through Venezuela, he invited the Venezuelan Armed Forces to become involved in what has euphemistically been called the war against the narcoguerrillas. Official Colombian and Venezuelan Government spokespersons frequently sign joint communiques in which they define Colombian guerrilla groups as their common enemy...."

"The United States is eagerly seeking a pretext to intervene in the region, with the immediate goal of controling the situation that may get out of hand in Colombia, where a president who has chosen to be more loyal to drug trafficking than the empire remains in power."

As proof of their good will, the FARC propose "to the government and people of Venezuela" various initiatives to guarantee that peace will be made secure with communication mechanisms that allow the solution of situations that may arise in the future. The proposals are as follows:

— Providing their Internet code so they can be easily contacted. This is the code: E-MAIL elbarcino laneta apc.org.

— Holding talks with Border Affairs Minister Pompeyo Marquez.

— Using the COPPPAL [Permanent Conference of Latin American Political Parties] as a point of contact and consultation between the FARC-EP and the Venezuelan Government.

Venezuela: Ministry Rejects Talks With Colombian Rebels

PA1005220096 Caracas EL UNIVERSAL in Spanish 7 May 96 p 1-13

[Report by Antonio Fernandez Nays]

[FBIS Translated Text] Caracas — The Venezuelan Foreign Relations Ministry [MRE] issued a press note yesterday stating that statements attributed to Colombian guerrilla groups that will reportedly establish direct negotiations with the Venezuelan Government are "inaccurate and untrue and cannot be taken seriously."

The MRE stated that the Venezuelan Government maintains "normal and cordial relations with the Colombian Government, which is the official counterpart in any talks or negotations between the two states."

It added any decision on this matter "is under the exclusive jurisdiction of the national authorities," specifically the MRE, and any initiative to establish a dialogue with foreign rebel forces "would violate provisions of the national Constitution."

Foreign Minister Miguel Angel Burelli Rivas pointed out that the government knows nothing about an alleged proposal by the Revolutionary Armed Forces of Colombia (FARC) to hold talks, and thus, he added, it is "senseless to talk about this."

The MRE chief added that there are many guerrilla groups in Colombia and that Venezuelan policymakers have not been advised of such intentions.

"Should any Venezuelan authority not acting as the official government agent establish talks with the Colombian guerrillas, it would be doing so illegally and outside the framework of the national Constitution," said the foreign minister, who considers an official authority from Santa Fe de Bogota as the sole valid interlocutor.

As for the latest Colombian guerrilla attack on the Navy's river post at Carabobo, Apure State, the minister noted that it is a "regrettable and recurrent event because the business of rebel groups is to harass the people at the border area."

Burelli Rivas underscored that "this is a Colombian problem that we have shouldered unjustly and onerously, it is very burdensome and there is no reason why we should be shouldering it."

The foreign minister said Venezuela hopes Colombia "will become aware of the problem that concerns

Colombia and that it will realize that it cannot continue to burden its neighbor forever."

When asked about military operations taking place in Trinidad and Tobago, the minister said he knows nothing about them.

Meanwhile, Segundo Melendez, chairman of the Chamber of Deputies' Foreign Policy Commission, stated that the FARC statement admitted that the problem of Colombian guerrillas "is a domestic issue."

In his opinion, "such a statement by the FARC is positive, because they claim to have no reason to take any action or initiative that could affect the interests and sovereignty of Venezuela." He added that "the possibility of negotiations between the Venezuelan state and the guerrillas has not been raised."

Venezuela: Defense Minister on Talks With Colombian Rebels

PA1005220196 Caracas Venezolana de Television Network in Spanish 1530 GMT 8 May 96

[From "The News" newscast]

[FBIS Translated Text] The president next week will receive the list containing the names of military officers nominated for promotions within the National Armed Forces [FAN]. Defense Minister Major General Moises Orozco Graterol made the aforementioned statements, while confirming the position of the Venezuelan Government not to negotiate with Colombian guerrillas.

One of the Colombian guerrilla groups favors the idea of holding direct talks with a high-level commission from the Venezuelan Government but, in light of this situation, the minister of defense maintains a firm position.

[Begin Orozco recording] The FAN are not ready to talk or negotiate with them. I believe that they must talk with their own government, the Colombian Government. [end recording]

Regarding the possibility that the governor of any Venezuelan state in conflict with these guerrilla groups may talk directly with them, the government has made it clear, before the national and international public, that it will be an illegitimate negotiation because only President Rafael Caldera or whomever he appoints can do so.

Venezuela: Official on Talks With Colombian Rebels

PA1005215896 Caracas EL UNIVERSAL in Spanish 6 May 96 p 1-12

[FBIS Translated Text] Valmore Acevedo Amaya, president of the Presidential Commission on Border Affairs, has described as inappropriate the possibility of holding talks between the executive branch and the Revolutionary Armed Forces of Colombia (FARC) to guarantee peace at the border region. He also deplored the new guerrilla attack on the Cararabo naval post, in Apure State.

However, the high-ranking official described as positive the FARC's decision to conduct a peaceful strategy at the Colombian-Venezuelan border. He warned that this is only one of the several irregular groups operating at the border region, even though it is part of the Guerrilla Coordinating Board.

"If the FARC has the sincere objective of maintaining peace at the border, it is unnecessary for us to get involved in the very painful process that the Colombian people are experiencing and that would take us away from our traditional policies and our objectives of developing the border to improve the living conditions of the region's residents."

Acevedo explained that the problem with Colombian rebels is an issue that pertains to the neighboring country's authorities. This is why he stressed that "we Venezuelans cannot intervene in that process in no way whatsoever," but that "we have been sympathetic toward the efforts that have been made to bring about peace in the country through the mediators and mechanisms that have been used each time."

The government official recalled that Colombia has a history of armed violence that has bled the country for more than 48 years; this history is based on various guerrilla groups and was made in the name of various ideologies. This is why he believes that "it is inappropriate to resort to any sort of strategy between the Venezuelan Government and FARC," which is an irregular armed movement claiming that its political and military development is not a threat to neighboring countries, which it expects will remain neutral in this internal conflict.

This reference to the guerrillas seemingly stems from the proposals U.S. Defense Secretary William Perry made on cooperation among states in the fight against Colombian rebels.

On a similar subject, Acevedo pointed out that the fact that one of the Colombian guerrilla movements announced a policy of peace with Venezuela "can in no way mean that the Venezuelan Armed Forces will neglect their task to reaffirm national sovereignty along the border, when various Colombian elements not only violate Venezuelan territory but also commit actions jeopardizing the physical safety of residents of these regions or causing substantial ecological damage at the national border parks."

Venezuela: Copei Secretary General Rejects Talks With FARC

PA1005223696 Caracas EL UNIVERSAL in Spanish 6 May 96 p 1-12

[FBIS Translated Text] Caracas — Social Christian Party [Copei] Secretary General Donald Ramirez said: "The Revolutionary Armed Forces of Colombia's (FARC) activities at the border disturb diplomatic relations and are a permanent threat to Venezuelan authorities. Because of all this, the government should not accept the proposal to talk with this rebel group."

Ramirez made the remark after returning from Barinas State, where he participated in a regional meeting convened to discuss his party's strategy.

Asked about the FARC's communique denying that they threaten peace at the border, Ramirez said: "Promises are one thing, but facts are quite another." He continued to say that the situation at the border is "quite the opposite of the FARC's alleged intentions" and that numerous Venezuelan military have become victims of the Colombian guerrillas' violence. He also said that the FARC plays a prominent role in violent actions at the border, the most important of which are the kidnappings of Venezuelan industrialists at the border.

"Their remark that they do not threaten peace is unrealistic. The truth is that the FARC has played an important factor in insecurity at the border. The Venezuelan Government should not sit down at a negotiations table with Colombian rebels to attain certain agreements. This is a problem that should be handled by Colombian Government authorities," he said.

Consistent Social Policy Program

Regarding the executive's economic position, Ramirez said: "More than a salary increase, we must restore the salary's value as a fundamental component of remuneration and establish a very consistent social policy program, which must include considering the need to reform the social security system."

Ramirez believes that the current social security system fails to meet the aspirations of both workers and the productive sector. "This system has adversely affected the ability to produce wealth and bring production into the country and has instead become a hindrance to the possibility of change in Venezuela."

Campaign Against the Congress

Ramirez said he believes that the media's report on a lawmakers' salary increase "is part of a campaign," whose purpose he does not know, but he is sure that "it seeks to discredit the Congress. It is being sought to weaken the Congress, which has been recovering its credibility and image." He added: "No one knows where this report originated. It is an unnecessary lie, among other things because a system exists that equates the lawmakers' salaries to those of high government officials, such as ministers."

According to Ramirez, no raises have been contemplated for either senators or deputies. He mentioned, however, that a lawmaker who devotes full time to his functions must receive the necessary salary on which to live. "The idea is not for a lawmaker to inspire pity and live off public charity, because this would limit his possibility of representing the people independently and sovereignly."

Venezuela: German President Roman Herzog Arrives

PA1305010796 Caracas Venezolana de Television Network in Spanish 0230 GMT 10 May 96

[Report by Zuiay Rosas; from "The News" newscast]

[FBIS Translated Text] The Federal Republic of Germany has included Venezuela in its trade intensification campaign for Latin America. To promote these projects, German President Roman Herzog arrived in our country on 9 May for a five-day, official visit during which he is expected to sign important agreements.

Venezuelan President Rafael Caldera, accompanied by First Lady Alicia Pietri de Caldera and members of his executive cabinet, received President Roman Herzog, his wife Cristina, and delegation.

After welcoming the German president, the Venezuelan president said the visit is a demonstration of the friendship existing between Venezuela and Germany:

[Begin Caldera recording] Numerous, distinguished countrymen of yours have visited our country. They have left with good memories of our fatherland. They have left emotional testimonies of their stay in our country, and many of them have adopted Venezuela as their new fatherland without breaking their ties of affection with their country of birth. Your Excellency, we hope this visit of yours will leave good memories behind. We hope you leave with pleasant memories of the Venezuelan land and people who receive you with great affection and sympathy.

Welcome, Mr. President. Welcome Mrs. Herzog. [preceding sentence in German]. [end recording]

The German president will hold talks with President Rafael Caldera and members of his cabinet, because the Federal Republic of Germany is among the most important trading partners of Venezuela:

[Begin unidentified Herzog translator recording] During this visit, we also would like to state our appreciation for what we have achieved and would like to cooperate in the future, which should bring good prospects for both peoples.

Thank you very much, Mr. President, for your invitation once again, and on behalf of my wife, delegation, and myself, I would like to say we are very pleased to spend a few days with you in your beautiful country. Thank you very much. [end recording]

Herzog arrived in Venezuela 25 years after a German president visited the country in March 1971.

As part of his schedule, the German president today will place a wreath before the tomb of liberator Simon Bolivar. He also will attend a solemn session of Congress and meet with President Rafael Caldera.

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